

Analysis of the Governor's Proposed Revisions for the FY 01 Budget



**Connecticut General Assembly
Office of Fiscal Analysis**

March 3, 2000

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Introduction and Highlights

Recommended Revisions

The governor has recommended a net budget increase of \$110.8 million from the original FY 01 total appropriations authorized by the 1999 General Assembly. Two items of particular note are the restoration of \$50 million to reflect the lost of the IT privatization savings and the appropriation of the federal Workforce Investment Act (WIA) funds of \$26.7 million (this is a new federal requirement).

Categorizing all of the recommended revisions as either technical or policy, one finds that the technical items come to a net increase of \$208.7 million, while the policy items total a net decrease of \$97.9 million. These totals comprised dozens of individual changes, both upward and downward. The technical revisions represent those items of adjustment, which were anticipated to be made to the budget in the off-year. The policy initiatives are beyond the technical revisions necessary to sustain present services through the remainder of the biennial budget period.

A summary and detailed listings of these items can be found beginning [on page 17](#).

Budget Growth Rate

The budget enacted by the General Assembly for FY 01 (including OFA adjustments for comparability) is \$12,203.6 million, which represents an increase of \$534.6 million, or 4.6%, over the budget enacted for FY 00. OFA's calculation of the governor's proposed revisions to the FY 01 budget shows an increase of \$550.5 million, or 4.7%, over estimated expenditures for FY 00. (See [page 13](#) for a schedule of growth rates.)

Revenue Estimates

OFA General Fund revenue projections for FY 01, including the governor's proposed changes, are \$35.8 million lower than the Governor's estimates. OFA considers this potential revenue difference to be relatively insignificant because it is within the margin of error for revenue estimation. (See [page 46](#).)

Grants To Towns

The governor has proposed net decreases of \$10.5 million for Grants to Towns. The largest change is \$(7.6) million shown in the Mashantucket Pequot and Mohegan Fund grant. This reduction reflects an estimate of what various towns owe the state for General Assistance overpayments. (See [pages 36 - 38.](#))

Use of Transportation Fund Surplus

While the governor has made recommendations to specifically use some of the projected General Fund surplus to pay for capital outlays (such as \$90 million appropriated to the Dept. of Education for school construction projects), the major use of FY 00 Transportation Fund surplus is for an appropriation to the treasurer for debt service. The treasurer is then authorized to use these funds to either defease existing debt or for making payments in lieu of issuing debt for the transportation infrastructure program. These provisions are contained in Sec. 38 of HB 5217. A related provision, contained in Sec. 4 of HB 5240, repeals the provisions of subsection (b) of Sec. 13b-68 that gave the treasurer several options for the use of surplus funds for debt retirement in the Transportation Fund. These were enacted in 1997. It is unclear why these changes have been recommended.

Our projections for the Transportation Fund (see [pages 54 - 56](#)) are based on the assumption that the treasurer will use the defeasance option. If the latter option is chosen, then expenditures for capital outlay would be made from the debt service account – apparently in contradiction to the comptroller's state accounting manual. It would seem that a specific allocation of the surplus for the purposes desired by the legislature would be advisable. If surplus funds are to be used for capital outlay for the infrastructure program, then an appropriation should be made to the Dept. of Transportation for such purpose.

Out-Year Projections

The OFA analysis of the General Fund for FY 02, 03, and 04 indicates that with modest growth in revenues and current service expenditures the Fund would be approximately in balance with the possibility of a small gap in FY 04 (less than 1%). The effect of the Governor's mid term budget proposals is to create a potential gap of \$250 million in FY 02 and FY 03 and increasing to \$450 million in FY 04. See [page 53](#) for details of the out-year analysis.

Please see the following pages for summaries and highlights of the significant budgetary changes made in the governor's proposed revisions to the FY 01 budget.

Impact of Certain Governor's Proposals on OFA's FY 00 Projected Surplus

The following items, if approved, are estimated to have the impact indicated:

General Fund	Amount (in millions)
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Expenditures:

Tax Rebate Deficiency (HB 5214) – Due to one of the accounts used to fund this shortfall, the affect is to lessen the deficiency previously projected, thereby increasing the projected surplus.	5.0
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Carry Forward Provisions – There are a number of sections in HB 5217 and Sec. 3 of SB 129 that provide for the non-lapse (carry forward) of various account balances from FY 00 into FY 01. Since OFA anticipated these balances to lapse, and if approved, they will be carried forward instead, the General Fund surplus estimate will be reduced.	<u>(13.6)</u>
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Total	\$(8.6)
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If these measures are approved, the General Fund surplus projected by OFA on February 8, 2000 to be \$247.1 million will be reduced to \$238.5 million.

**Governor's FY 00 Surplus Recommendations:
One-time or Ongoing?**

On the following schedules, we have listed the governor's FY 00 recommendations as well as comments as to whether his proposals appear to be one-time, potentially ongoing or ongoing in nature. Any item described as potentially ongoing or ongoing may require continued funding in future years, whether it be from appropriations, any future year surplus that develops or in some cases from bonding. Totals associated with each characterization by OFA of the governor's expenditure-related proposal are as follows:

Expenditure-Related Uses of General Fund And Transportation Fund Surplus (in millions)	
One-Time	\$172.3
Potentially Ongoing	36.6
Ongoing	43.3
Total	\$252.20

It is uncertain as to whether the two largest items that we have characterized as potentially ongoing will require continued funding in future years. The governor has recommended that \$20 million be provided from FY 00 surplus for the UConn Health Center deficit and the funding of strategic initiatives. Continued funding in future years will depend upon whether the problem is eliminated in FY 01. The governor has also recommended that \$8.2 million be provided from FY 00 surplus to help the Department of Mental Health and Addiction Services build community programs to shift from more expensive state-provided mental health and substance abuse services to less expensive private provider services. We anticipate that \$1 million to \$2 million of this funding to be one-time in nature, but that approximately \$6 million to \$7 million may be required on an ongoing basis to satisfy the increase in demand for services that will result from the reconstituted program.

**Governor's Recommendations Regarding Using the Projected FY 00
General Fund Surplus
(in millions)**

**Governor's Proposal
as of 2/9/00**

Projected Surplus

\$ 241.300

Revenues

Hospital Gross Receipts Tax

Eliminate the Hospital Gross Receipts Tax Effective 4/1/00

17.5

Total Revenue Changes

17.500

Expenditures

OFA Comment

Appropriate for the following:

Avoid Issuing Debt (\$132.15m)

SDE - School Construction Projects	90.0	One-time - normally funded through bonding.
DoIT - CT Education Network (\$10 m) / School Wiring (\$20m)	30.0	Funds intended for FY 01 and 02 - in future, will use surplus or bonding.
DoIT - Core Financial Systems (1st phase)	7.5	Funds provided for FY 01 - in future, will use surplus or bonding.
DoIT - Pay for move to new facilities	3.5	One-time.
DOC - Storage lockers for prisoners	0.75	One-time.
Leg. Mgmt. - Capitol Security Requirements	0.4	Additional funding may be required in FY 01 (\$2.1m) and future (\$.8m).

OPM - UConn Health Center Deficit for FY 00 and FY 01, plus
funding of strategic initiatives

20.0

Potentially ongoing - depends upon whether problem is eliminated in FY 01.

Various Projects totaling \$38.31m

OPM - Hire a consultant re: Health Insurance	0.75	One-time.
OPM - Operation Sail 2000	5.5	One-time.
OPM - CT Paralympics - state match	0.15	One-time (potentially periodic).
OPM - Census Consultant	0.25	One-time (every 10 years).
Retail Gas Pricing Monitoring and Enforcement Program		
OPM	0.100	Potentially ongoing - depends upon cyclical nature of gas pricing problem.
DCP	0.125	Potentially ongoing - depends upon cyclical nature of gas pricing problem.
Attorney General - litigation account	0.8	Potentially ongoing - if litigation costs deplete the account.
POST - Obstacle Course	0.01	One-time.

Governor's Proposal
as of 2/9/00

Military Dept. - Microfiche Historical Militia & National Guard Records	0.05	One-time. Potentially ongoing - depends on whether continued state support is needed.
DOL - Hartford Jobs Funnel	0.5	Potentially ongoing - depends upon whether problem is eradicated in FY 01.
DEP - Mosquito-transmitted diseases	1.0	One-time (every 5 years).
DEP - Digital aerial photo project	0.9	Potentially ongoing - depends upon when grants deplete the account.
DECD - Job Incentive Grant	0.4	One-time.
DMR - Early Intervention - longitudinal study	0.15	Potentially ongoing - \$6m to \$7m may be required due to increased capacity.
DMHAS - Community programs - private providers	8.2	
Utilize welfare reform work participation bonus of \$2.4m for:		
DSS - Fatherhood Initiatives (OE)	0.5	Potentially ongoing.
DSS - Teen Pregnancy and Domestic Violence prevention (OE)	0.5	Potentially ongoing.
DOL - Individual Development Accounts	0.4	Ongoing.
DSS - Offset SSBG FY 01 cuts	1.0	Ongoing.
DSS - Outreach for HUSKY A & B	1.0	One-time.
State Library - Arts Enhancement		Potentially ongoing - depends on whether continued state support is needed.
International Festival of the Arts expansion to other CT cities	1.0	One-time.
Greater New Haven arts strategic planning study and endowment	1.0	Ongoing for at least 5 years.
State Library - Digital Library	2.0	Ongoing for at least 5 years.
Charter Oak College - CT Distance Learning Consortium	2.0	One-time.
DHE - establish Gov. O'Neill Chair in Public Policy at CCSU	1.0	Potentially ongoing - represents 1st year phase-in of program to be developed.
DCF - Community-based systems of care transition	3.5	
DCF - Transition staff and clients from Long Lane to new CT Juvenile Training School	4.95	One-time.
DCF - Regional office moving expenses	0.175	One-time.
Judicial - Aid re: takeover of courthouse security, 10/1/00	<u>0.4</u>	One-time.
Subtotal - Proposed Approps. of FY 00 GF Surplus	<u>190.460</u>	
Revised Balance	\$ 33.340	
Amount required to fund the Budget Reserve Fund [1]	<u>33.400</u>	Assumes Governor's bottom-line is what is approved.
Remaining Balance based on Governor's Proposals [1]	\$ (0.060)	

[1] Due to rounding, the Governor's proposed uses of surplus exceed the available surplus by \$60,000. In actuality, this amount would be deducted from the level to be transferred to the Budget Reserve Fund, resulting in a zero balance. Adding \$33.4 million to the Budget Reserve Fund would increase it from \$529.1 million to \$562.5 million.

**Governor's Recommendations Regarding Using the Projected FY 00
Transportation Fund Surplus
(in millions)**

**Governor's Proposal
as of 2/9/00**

Projected Surplus **\$ 105.8**

Revenues

Motor Fuels Tax

Reduce Motor Fuels Tax by \$.07 Effective 4/1/00	25.1	
Total Revenue Changes		25.1

Expenditures

OFA Comment

Appropriate for the following:

DOT - Grant to Tweed New Haven Airport Authority	1.8	One-time.
Debt Service - for defeasance or to use in lieu of issuance of debt	60.0	One-time. Reflects using surplus to pay future debt service.

Sub-total - Proposed Approps. of FY 00 TF Surplus	61.8	
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Revised Surplus Balance	\$ 18.9	
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Revised Current Services Estimates and Utilization of Available Excess Revenue

In early February 2000, OFA projected that revenues would exceed expenditures on a current services basis for FY 01. While a specific current services estimate is not shown in the governor's document, OFA has estimated one based on an analysis of his proposals from a technical vs. policy perspective. The following table displays projected revenues and expenditures for the FY 01 budget as enacted, with updated current services estimates for both the governor and OFA.

General Fund and Transportation Fund (in millions)

	Original FY 01	Governor's Current Services FY 01 [1]	OFA's Current Services FY 01
Revenues (at current rates)	\$11,982.7	\$12,363.6	\$12,313.1
Expenditures	11,940.1	12,146.9	12,092.5
Balance	\$42.6	\$216.7	\$220.6

The governor's proposals for the \$216.7 million of projected extra revenue include revenue reductions of \$243.4 million (partially offset by policy reductions affecting expenditures). The largest of these are the elimination of the Hospital Gross Receipts Tax (\$70.7 million) and the \$.07/gallon reduction in the Motor Fuels Tax (\$94.2 million) from \$.32 to \$.25 per gallon for a combined total of \$164.9 million.

[1] The governor's current services revenue amount shown here is \$11.1 million lower than the amount reflected in his budget, because OFA has treated the proposed reduction in the amount to be transferred from the Tobacco Settlement Fund to the General Fund as a policy revision rather than as a technical revision.

**Current Services Differences
Between OFA and OPM
(General and Transportation Funds)**

In early February 2000, OFA projected that \$102.7 million in net increases in FY 01 would be necessary to maintain the current level of state services provided. OPM has indicated that the governor's budget includes \$159.7 million in current services increases. This \$57 million difference represents 0.5% of the total amounts originally appropriated to the General and Transportation Funds for FY 01. Both of these figures exclude restoration of the \$50 million in recognition that savings from state information technology (IT) privatization will not be achieved due to the inability to reach a contract to implement this effort through a private company.

The following table indicates the major areas of difference between the OFA and OPM current services projections. These differences are currently being reviewed.

Major Current Services Differences Between OFA and OPM (in millions)				
Agency	OFA	OPM	Diff.	OFA Comment
Social Services	\$25.3	\$67.3	\$42.0	Difference is largely attributable to the Medicaid calculation, which OFA will review with OPM.
Correction	12.5	26.2	13.7	OFA's estimate is based on a prison population of 17,500, whereas OPM's estimate is based on 19,000. Potential lapses may offset some of the additional anticipated cost. OFA will be reviewing prison population trends and will attempt to determine if the costs are realistic based on whether there is sufficient institutional capacity to house the projected additional inmates.
Debt Service	(7.2)	8.5	15.7	Difference reflects an increase in the issuance assumption for General Obligation bonds. The OPM estimate is based on the additional issuance of \$75 million in Spring 2000 and \$249 million in Fall 2000, at a 6% interest rate for both issues. The additional issuance is due to an anticipated increase in bond fund allocations by the State Bond Commission. OFA is awaiting information regarding the proposed increase in Bond Commission allocations from OPM.
All Others	72.1	57.7	(14.4)	
Totals	\$102.7	\$159.7	\$57.0	

1999-2001 Biennial Budget Statutory Spending Cap

Original Budget v. Governor's Recommended Budget

The original 1999-2001 biennial budget was under that statutory spending cap by \$68.6 million in FY 00 and by \$59.3 million in FY 01. The governor's recommended budget is under the cap by \$0.9 million in FY 00 and by \$84.1 million in FY 01.

The FY 00 difference is due to an increase of \$67.7 million in total appropriations for General Fund and Transportation Fund deficiencies. This additional appropriation raises the base for the FY 01 statutory spending cap calculation from \$11,618.9 million to \$11,686.6 million.

In addition to the adjustment in the base for the FY 01 calculation, there are several other changes that affect the FY 01 cap. The five-year average growth in personal income has increased from an estimated 5.16% used in 1999, to 5.48%. Applying this larger percentage to the adjusted base results in an increase in allowable capped growth of \$33.2 million from the original budget.

Total FY 01 non-capped expenditures in the governor's recommended budget are \$34.8 million higher than in the original budget. A breakdown of these increases is as follows: debt service, \$5.2 million; federal mandates and court orders, \$24.2 million; and grants to distressed municipalities, \$5.4 million.

One item of concern is treating the appropriation of the Workforce Investment Act (WIA) federal grant funds of \$26.7 million as a federal mandate, thus exempting them from the cap in FY 01. While it is true that federal law requires the states to appropriate these funds, it appears that doing so does not meet the requirements of a federal mandate as defined in the statutory cap language. It may be possible to provide for an adjustment to FY 00 base appropriations to reflect the level of Job Training Partnership Act (JTPA) funds the state is to receive in FY 00. The WIA funds replace JTPA funds, which were not subject to appropriation.

Calculations based on all of the above-mentioned factors show that the governor's total recommended FY 01 expenditures allowed by the statutory spending cap are \$135.6 million higher than the original budget, and total appropriations are \$110.8 million higher.

The table on the following page compares the original 1999-2001 biennial budget to the governor's recommended budget.

1999-2001 Biennial Budget Statutory Spending Cap Calculations

	Original FY 00 <u>Budget</u>	Original FY 01 <u>Budget</u>	Governor's Revised FY 00 <u>Budget</u>	Governor's Revised FY 01 <u>Budget</u>
Total All Appropriated Funds - Prior Year	\$ 11,074.8	\$ 11,618.9	\$ 11,074.8	\$ 11,686.6
Less "Non-Capped" Expenditures:				
Debt Service	\$ 1,237.5	\$1,328.7	\$ 1,237.5	\$ 1,328.7
Statutory Grants to Distressed Municipalities	<u>1,016.1</u>	<u>1,074.2</u>	<u>1,016.1</u>	<u>1,074.2</u>
Total "Non-Capped" Expenditures - Prior Year	<u>2,253.6</u>	<u>2,402.9</u>	<u>2,253.6</u>	<u>2,402.9</u>
Total "Capped" Expenditures	8,821.2	9,216.0	8,821.2	9,283.7
Times Five-Year Average Growth in Personal Income	5.08%	5.16%	5.08%	5.48%
Allowable "Capped" Growth	<u>448.1</u>	<u>475.5</u>	<u>448.1</u>	<u>508.7</u>
"Capped" Expenditures	9,269.3	9,691.6	9,269.3	9,792.4
Plus "Non-Capped" Expenditures:				
Debt Service	1,328.7	1,414.2	1,328.7	1,419.4
Federal Mandates and Court Orders (new \$)	15.3	7.9	15.3	32.1
Statutory Grants to Distressed Municipalities	<u>1,074.2</u>	<u>1,102.4</u>	<u>1,074.2</u>	<u>1,107.8</u>
Total "Non-Capped" Expenditures	<u>2,418.2</u>	<u>2,524.5</u>	<u>2,418.2</u>	<u>2,559.3</u>
Total All Expenditures Allowed	11,687.5	12,216.1	11,687.5	12,351.7
Total Appropriations	<u>11,618.9</u>	<u>12,156.8</u>	<u>11,686.6</u>	<u>12,267.6</u>
Amount Total Appropriations are Over (Under) the Cap	(68.6)	\$ (59.3)	\$ (0.9)	\$ (84.1)

FY 00 and FY 01 Budget Growth Rates (Based on OFA Adjustments)

	FY 00 OFA Est. Expend. [1]	Gov. Rec. Revised FY 01 Budget	Amount of Change	Percent Change (Adjusted)
General Fund				
Base	\$ 10,674.9	\$11,249.4		
Adjustments [2]	45.3	(18.5)		
Subtotal	\$ 10,720.2	\$11,230.9	\$ 510.7	4.8%
Transportation Fund				
Base	\$ 809.4	\$ 815.0		
Adjustments [3]	6.1	48.1		
Subtotal	\$ 815.5	\$ 863.1	\$ 47.6	5.8%
Other Appropriated Funds [4]				
Base	\$ 212.3	\$ 203.1		
Adjustments [5]	(1.4)	-		
Subtotal	\$ 210.9	\$ 203.1	\$ (7.8)	-3.7%
Total [6]	\$ 11,746.6	\$12,297.1	\$ 550.5	4.7%

[1] General Fund and Transportation Fund estimates are as of February, 2000.

[2] The following are adjustments to the General Fund for purposes of comparability with prior years.

	FY 00 Adopted Budget	FY 01 Gov. Rec. Budget
(a) Pre-fund higher education endowment match from the FY 99 surplus	\$ 9.1	\$ 7.7
(b) Department of Education library books from the FY 99 surplus	3.1	3.1
(c) Department of Social Services – Pre-fund Medicaid capitation payments (equal to one-month's cost) from surplus. (The amount shown in FY 99 was paid in FY 98 but constituted an extra month's payment (a 13 th) that year. By placing these amounts as adjustments in each fiscal year, a total of 12 payments is reflected.)	34.2	35.9
Change accounting for ConnPACE drug rebates to a net basis	-	8.0
(d) Transfer of General Fund costs to other funds or off-budget for:		
Equipment purchases to Capital Equipment Purchase Fund (bond funds); the increase is over the FY 99 level of \$15.1 million	11.9	5.9
Connecticut Historical Commission – Fund Freedom Trail and the Rochambeau Route from Tourism Fund.	-	0.1

	FY 00 Adopted Budget	FY 01 Gov. Rec. Budget
DECD – Fund Freedom Trail and Film Comm. From Tourism Fund	-	0.3
DMHAS – Fund compulsive gamblers from Chronic Gamblers account	-	0.1
State Library – Fund Impressionist Art Trail from the Tourism Fund	-	0.1
(e) Transfers to the General Fund of costs previously paid by other funds:		
Department of Social Services – Services previously paid from Social Services Block Grant (SSBG)	-	(11.5)
Department of Correction – continue funding for 125 halfway house beds previously supported by federal funds that have expired	(1.4)	(2.3)
DCF – Pickup of previously federally funded programs	-	1.0
Judicial Department – previously supported by federal funds:		
Programs	(4.7)	(4.7)
Grants	(0.9)	(1.4)
Family violence dockets	(1.7)	(1.8)
Project READ and Zero-Tolerance Program	-	1.0
State Police Highway Motor Patrol Fringe Benefits from the Transportation Fund	(13.1)	(14.4)
Department of Transportation – Town Aid Road Grants were paid from Transportation Fund	-	(35.0)
(f) Reserve for Salary Adjustments – Funding is provided from the FY 99 carry- forward	-	10.0
(g) OPM Safe Neighborhoods – Reflect use of FY 99 surplus to provide higher level of program funding	1.3	1.3
(h) Private Providers Increase – A portion of the FY 00 cost is being paid from FY 99 surplus	7.2	-
(i) State Library – Funds were transferred from FY 99 to supplement the budgeted level for the Statewide Database Management program	0.4	0.4
Digital Library – Fund from FY 00 surplus	-	2.0
(j) Department of Labor – Appropriation of federal Workforce Investment Act (WIA) funds, previously “off-budget” as Job Training Partnership Act (JTPA) funds	-	(26.7)
Individual Development Accounts – Fund from FY 00 Surplus	-	0.4
(k) Charter Oak College – Fund Distance Learning Consortium from FY 00 Surplus	-	2.0
Total General Fund	\$ 45.3	\$ (18.5)

[3] The following are adjustments to the Transportation Fund for purposes of comparability with prior years.

	FY 00 Adopted Budget	FY 01 Gov. Rec. Budget
(a) Transfer of State Police Highway Motor Patrol Fringe Benefits to the General Fund	13.1	14.4
(b) Transfer to the Transportation Fund of costs previously paid by other funds:		
Motor Vehicles Department		
Transfer 34 positions from the Emissions Fund	(1.5)	(1.5)
Eliminate the Insurance Enforcement Fund and transfer five positions and \$0.4 million in revenues	(0.3)	(0.4)
(c) Remove "one-time" costs for 27 th payroll	(5.2)	-
(d) Transfer Town Aid Road to the General Fund	-	35.0
(e) Pay FY 01 (and next biennium's) costs for Tweed-New Haven Airport from FY 00 Surplus	-	0.6
Total Transportation Fund	\$ 6.1	\$ 48.1

[4] Includes the following: Banking, Insurance, DPUC/Consumer Counsel, Workers' Compensation, Regional Market, Soldiers', Sailors' and Marines', Criminal Injuries Compensation, and Mashantucket Pequot and Mohegan funds.

[5] Remove "one-time" costs for 27th payroll (\$1.4 million) from FY 00.

[6] The amounts shown for FY 00 Estimated Expenditures and FY 01 Revised Budget do not include funds appropriated from the FY 99 or FY 00 surplus for one-time expenditures. Expenditures from the FY 99 and FY 00 surplus for one-time items that are not included above are as follows.

	FY 00 Estimated Expend.	FY 01 Gov. Rev. Budget
General Fund		
Tax Rebate Program (including supplemental payment (FY 98) an administrative costs). For FY 00, a carry-forward of \$13.3 million will be made available to augment the appropriation of \$96.2 million from the FY 99 surplus.	\$ 119.5	\$ -
Year 2000 Conversion (Y2K) - Of the \$80 million available in FY 99, \$34.4 million was spent. The balance of \$45.6 million was carried forward and made available for expenditure in FY 00. Of the \$15 million appropriated for use in FY 00, \$6 million is to be redirected for other purposes.	9.0	-
Pre-fund the 27th payroll that occurs every 11 years	90.0	-
County Sheriffs - 27th payroll	1.0	-
Pre-fund Medicaid capitation incentive payments	3.8	4.1
State Employees Health Insurance		
Convert to fully-insured plan from self-insured plan (the "tail")	30.0	4.5

	FY 00 Estimated Expend.	FY 01 Gov. Rev. Budget
Pay off deficit in Rate Stabilization Reserve Account with Anthem Blue Cross and Blue Shield	30.0	4.5
Pre-fund certain per diem costs of private providers in the departments of Mental Retardation, Mental Health and Addiction Services, and Children and Families due to the leap year (FY 00)	4.8	-
Fund Payment of Uconn Educational Properties, Inc. developer's claim	2.5	-
Fund moving costs for the State Library Archives	1.0	1.0
Department of Information and Technology - Fund automated forms and licenses ("e-government")	0.5	1.2
Department of Environmental Protection - Fund aerial photo survey	0.3	0.9
Ethics Commission - Fund electronic filing system	0.2	-
Legislative Management - Security cameras, emergency management, building access	0.8	0.4
Office of Policy and Management - One-time LoCIP supplemental grant	5.4	14.6
Department of Education - Appropriate funds for school construction	55.0	90.0
Teachers' Retirement - Computer software for new benefits system	0.2	1.3
Payment of various lawsuits and related costs	20.2	-
Legislative Management - Redistricting	0.2	0.9
Auditors - Information technology consulting	0.1	-
Office of Policy and Management - Tallships (Operation Sail 2000)	1.7	5.5
Office of Policy and Management - Art grants	6.0	-
Department of Veterans' Affairs - Veterans' Memorial	0.3	-
Department of Public Works - Capital Projects Revolving Fund	6.0	-
Department of Economic and Community Development - Amistad	0.3	-
Office of Health Care Access - Distressed hospitals	-	5.8
Department of Education - Audit Hartford schools	0.6	-
PILOT - State-Owned - Long Lane and Courthouse retroactive payment	0.2	-
Dept. of Labor - Workforce Investment Act - Title I	0.4	-
DEP - Mosquito-transmitted diseases	-	1.0
DMHAS - Community programs - private providers	-	8.2
DSS - Outreach for HUSKY A & B	-	1.0
State Library - Arts Enhancement	-	2.0
DHE - Establish Gov. O'Neill Chair in public policy at CCSU	-	1.0
DCF - Various programs/items	-	8.6
DOIT - Education Network; School wiring; Core fin. sys.; Move to new facility	-	41.0
OPM - UConn Health Center Deficit	-	20.0
Misc. Uses of FY 00 Surplus	-	5.4
General Fund Total	\$ 390.0	\$ 222.9
Transportation Fund		
Motor Vehicles Department - reflectorized license plate replacement	\$ 0.3	\$ 12.6
Department of Transportation - Payment of lawsuit settlement	3.9	-
Transportation Fund Total	\$ 4.2	\$ 12.6
Total	\$ 394.2	\$ 235.5

If these amounts were included in the percent calculation, the increase would be 3.2% in FY 01.

Technical vs. Policy Revisions in the FY 01 Governor's Budget

The governor's recommended changes for FY 01 may be divided into technical and policy revisions. Technical revisions include: (1) increases or decreases resulting from caseload or uncontrollable cost changes and (2) changes required as a result of existing mandates (e.g. due to legislation previously passed without the proper adjustment to the budget). Policy revisions include: (1) increases due to new or expanded programs, and (2) decreases due to programmatic reductions or eliminations resulting from new policy directions, including the movement of programs from appropriated to non-appropriated funds. OFA generally treats transfers as policy revisions.

The technical and policy revisions for all appropriated funds may be categorized as follows:

Governor's Recommended Adjustments (as categorized by OFA)	Amounts (in millions)
1. Decreasing Technical Revisions	\$ (109.2)
2. Increasing Technical Revisions	<u>317.9</u>
Net Technical Revisions	\$ 208.7
3. Decreasing Policy Revisions	\$ (226.7)
4. Increasing Policy Revisions	<u>128.8</u>
Net Policy Revisions	\$ (97.9)
Total Net Budget Changes	\$ 110.8

Detailed schedules outlining all of the above changes follow.

Technical Revision Reductions

General Fund

Freedom of Information Commission

Adjust Personal Services to Reflect Collective Bargaining Settlements -1,338

State Properties Review Board

Adjust Personal Services to Reflect Collective Bargaining Settlements -1,075

State Treasurer

Adjust Personal Services to Reflect Final Collective Bargaining Settlements -2,345

State Comptroller

Adjust Personal Services to Reflect Final Collective Bargaining Settlements -44,461

Reduce State Employees Retirement Database Account -100,000

Total Agency -144,461

Department of Revenue Services

Adjust Personal Services to Reflect Final Collective Bargaining Settlements -35,195

Division of Special Revenue

Reduce Sealed Ticket Costs -100,000

Gaming Policy Board

Reduce Agency Operating Expenses -400

Office of Policy and Management

Reduce Funding for the High Efficiency Licensing Program -100,000

Reestimate Funding for Justice Assistance Grants -1,000,000

Reestimate Funding Requirement for the Elderly Property Tax Relief
Circuit Breaker Program -2,500,000

Reestimate Funding Requirement for the Veterans' Property Tax Relief Program -500,000

Total Agency -4,100,000

Department of Administrative Services

Adjust Personal Services to Reflect Final Collective Bargaining Settlements -19,081

Attorney General

Adjust Personal Services to Reflect Final Collective Bargaining Settlements -29,424

Division of Criminal Justice

Adjust Funding for Forensic Sex Evidence Exam Reimbursements -10,000

Department of Public Safety

Adjust Personal Services to Reflect Final Collective Bargaining Settlements -103,144

Increase Turnover -100,000

Transfer Funding for OEM Merger Shortfall -76,372

Total Agency -279,516

Police Officer Standards and Training Council

Adjust Personal Services to Reflect Final Collective Bargaining Settlements -2,036

Commission on Fire Prevention and Control

Adjust Personal Services to Reflect Final Collective Bargaining Settlements -2,667

Labor Department	
Transfer Tax Credit Programs from Other Expenses to New Accounts	-250,000
Connecticut Historical Commission	
Adjust Personal Services to Reflect Final Collective Bargaining Settlements	-1,531
Department of Economic and Community Development	
Reduce Assisted Living PILOT	-1,214,392
Agricultural Experiment Station	
Adjust Personal Services to Reflect Final Collective Bargaining Settlements	-3,253
Department of Public Health	
Adjust Personal Services to Reflect Final Collective Bargaining Settlements	-32,108
Office of the Medical Examiner	
Adjust Personal Services to Reflect Final Collective Bargaining Settlements	-7,795
Department of Mental Retardation	
Adjust Personal Services to Reflect Final Collective Bargaining Settlements	-51,438
Department of Mental Health and Addiction Services	
Adjust Personal Services to Reflect Final Collective Bargaining Settlements	-106,347
Department of Social Services	
Connecticut Home Care Program Caseload Re-estimate	-2,600,000
HUSKY Program Cost and Caseload Update	-4,661,572
Eliminate Separate Account for Immigrant Medical Services	-510,000
FINANCIAL ASSISTANCE Temporary Family Assistance Cost and Caseload Update	-19,448,559
Supplemental Assistance Cost and Caseload Update	-7,573,644
Child Care Cost and Caseload Update	-14,577,786
Adjust Personal Services to Reflect Final Collective Bargaining Settlements	-17,370
Total Agency	-49,388,931
Department of Education	
Adjust Personal Services	-43,543
Re-Estimate Training of Paraprofessionals Account	-263,000
Re-estimate Grant Program Needs and Utilization	-1,114,000
Total Agency	-1,420,543
Commission on the Deaf and Hearing Impaired	
Adjust Personal Services to Reflect Final Collective Bargaining Settlements	-624
State Library	
Adjust Personal Services	-507
Department of Higher Education	
Adjust Personal Services to Reflect Final Collective Bargaining Settlements	-29,033
Adjust Funding for the Minority Teacher Incentive Program	-30,000
Total Agency	-59,033
University of Connecticut Health Center	
Adjust Personal Services to Reflect Collective Bargaining Settlements	-357,616
Teachers' Retirement Board	
Adjust Personal Services to Reflect Collective Bargaining Settlements	-5,555

Regional Community - Technical Colleges

Adjust Personal Services to Reflect Final Collective Bargaining Settlements -138,227

Connecticut State University

Adjust Personal Services to Reflect Collective Bargaining Settlements -100,168

Department of Correction

Adjust Personal Services to Reflect Final Collective Bargaining Settlements -138,059

Department of Children and Families

Transfer Funding for Transitional Youth to DMHAS -1,800,000

Recognize Decreasing Caseloads/Consent Decree -1,517,499

Adjust Personal Services to Reflect Final Collective Bargaining Settlements -28,547

Adjust Position Count/Consent Decree -1,188,287

Expenditure Update/Office Lease Costs -22,000

Expenditure Update/Juvenile Justice Community Beds -1,460,000

Achieve Enhanced Levels of Care Within Available Funds -3,500,000

Expenditure Update/FY 00 Enhancement Funds -122,771

Expenditure Update/Group Home Services -153,300

Total Agency -9,792,404

County Sheriffs

Adjust Personal Services to Reflect Final Collective Bargaining Settlements -4,908

Debt Service - State Treasurer

Reduce Debt Service by Defeasing Bonds -6,483,126

Eliminate Debt Service on New Haven Tax Incremental Financing (TIF) Bonds -1,916,321

Eliminate Debt Service on Bridgeport Tax Incremental Financing (TIF) Bonds -4,983,333

Eliminate Debt Service on Patriots Stadium Bonds -2,950,000

Reduce Debt Service to Reflect Actual Interest Rate on UConn 2000 Bonds -825,500

Total Agency -17,158,280

Reserve for Salary Adjustments

Transfer Funding for Special Deputy Sheriffs to Agency -500,000

Transfer Funding for Accruals for Employees Charged to Federal Programs -1,153,350

Total Agency -1,653,350

Judicial Review Council

Reduce Funding in Other Expenses -52,200

Unemployment Compensation

Reduce Funding Due to Revised Estimates -1,375,000

State Employees Retirement Contributions

Adjust Requirements Due to Increases in Recoveries -3,886,000

Employers Social Security Tax

Adjust Requirements Due to Increases in Recoveries -2,750,000

State Employees Health Service Cost

Adjust Requirements Due to Increases in Recoveries -1,578,000

Reduce Funding Due to Revised Estimates -8,198,063

Total Agency -9,776,063

Total General Fund

-104,451,870

Workers' Compensation Fund**Workers' Compensation Commission**

Adjust Personal Services to Reflect Final Collective Bargaining Settlements -33,187

Soldiers', Sailors', and Marines' Fund**Soldiers, Sailors and Marines' Fund**

Adjust Personal Services to Reflect Final Collective Bargaining Settlements -4,239

Regional Market Operation Fund**Department of Agriculture**

Adjust Personal Services to Reflect Final Collective Bargaining Settlements -477

Transportation Fund**Motor Vehicle Department**

Adjust Personal Services to Reflect Final Collective Bargaining Settlements -135,706

Department of Transportation

Adjust Personal Services Account to Reflect Final Collective Bargaining Settlements -27,795

Debt Service - State Treasurer

Reduce Debt Service by Defeasing Bonds -4,587,181

Total Transportation Fund

-4,750,682

Grand Total

-109,240,455

Technical Revision Additions

General Fund

Secretary of the State

Adjust Personal Services to Reflect Collective Bargaining Settlements	3,679
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Lieutenant Governor's Office

Increase Other Expense Account	10,000
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Ethics Commission

Adjust Personal Services to Reflect Collective Bargaining Settlements	7,331
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Freedom of Information Commission

Annualize Position Reclassifications	18,591
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Division of Special Revenue

Adjust Personal Services to Reflect Final Collective Bargaining Settlements	2,232
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Office of Policy and Management

Adjust Personal Services to Reflect Final Collective Bargaining Settlements	51,197
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Increase Funding for Other Expenses	100,000
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Reestimate Funding for Disability Exemption	10,979
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Reestimate Funding Requirement for the PILOT for New Manufacturing Machinery and Equipment	4,500,000
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Total Agency	4,662,176
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Department of Veterans Affairs

Adjust Personal Services to Reflect Final Collective Bargaining	2,100
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Department of Information Technology

Adjust Personal Services to Reflect Final Collective Bargaining Settlements	10,544
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Department of Public Works

Implement Provisions of PA 99-142, Standard Wage Rates for Standard Wage Rates for Service	650,000
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Workers	
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Adjust Personal Services to Reflect Final Collective Bargaining Settlements	15,706
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Total Agency	665,706
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Office of the Claims Commissioner

Adjust Personal Services to Reflect Final Collective Bargaining Settlements	24,558
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Division of Criminal Justice

Provide Funding for Racial Profiling Law	75,000
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Adjust Personal Services to Reflect Final Collective Bargaining Settlements	43,440
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Total Agency	118,440
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Department of Public Safety

Increase Funding to Reflect Sworn Position Adjustment	1,478,641
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Police Officer Standards and Training Council

Increase Funding for Copier Rental	2,500
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Military Department

Increase Funding for OEM Merger Shortfall	94,372
Increase Funding for Honorary Firing Squads	28,000
Provide Funding for Employee Retirement Payouts	21,883
Increase Per Diem Pay for Honorary Firing Squad Members	222,000
Adjust Personal Services to Reflect Final Collective Bargaining Settlements	12,696
Total Agency	378,951

Department of Consumer Protection

Adjust Personal Services to Reflect Collective Bargaining Settlements	9,105
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Labor Department

Adjust Personal Services to Reflect Final Collective Bargaining Settlements	32,108
Appropriate Funds for the Workforce Investment Act	26,694,366
Add Funds for Accrued Sick and Vacation Leave	200,000
Total Agency	26,926,474

Office of Victim Advocate

Adjust Personal Services to Reflect Final Collective Bargaining Settlements	3,391
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Commission on Human Rights and Opportunities

Adjust Personal Services to Reflect Final Collective Bargaining Settlements	26,211
Add Funds to the Commission for Human Rights Referees Salary Adjustment	106,632
Total Agency	132,843

Office of Protection and Advocacy for Persons with Disabilities

Adjust Personal Services to Reflect Final Collective Bargaining Settlements	7,156
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Office of the Child Advocate

Adjust Personal Services to Reflect Collective Bargaining Settlements	9,125
Annualize Position Reclassification	10,869
Total Agency	19,994

Department of Agriculture

Adjust Personal Services to Reflect Final Collective Bargaining Settlements	76,670
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Department of Environmental Protection

Provide Staff for Ft. Trumbull	359,500
Provide Funds for Federal Employees Sick and Vacation Accruals	16,600
Adjust Personal Services to Reflect Final Collective Bargaining Settlements	6,542
Provide Staff for Silver Sands	309,000
Total Agency	691,642

Department of Economic and Community Development

Adjust Personal Services to Reflect Final Collective Bargaining Settlement	13,686
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Department of Public Health

Continue Support for Two School Based Health Centers	204,000
Current Services Update/Nail Technician Licensure Program	179,500
Meet Federal Data Reporting Requirements	38,400
Implement Inactive Nurse Licensure Program	10,000
Expenditure Update/Electronic Vital Registry System	144,450
Total Agency	576,350

Office of Health Care Access

Adjust Personal Services to Reflect Final Collective Bargaining Settlements	9,483
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Department of Mental Retardation	
Adjustment for Age Outs Funding	4,351,034
Expenditure Update/Birth-to-Three System	1,472,000
Funding for Independent Ombudsperson	98,000
Enhance Community Placements for Southbury Training School Residents	2,981,965
Expenditure Update/Workers' Compensation Claims	2,600,000
Total Agency	11,502,999
Department of Mental Health and Addiction Services	
Annualize Funding for Special Populations	8,800,000
Fund Transitional Youth Program	3,279,998
General Expenditure Updates	3,600,000
Total Agency	15,679,998
Department of Social Services	
MEDICAID Medicaid Expenditure Re-estimate	93,846,025
ConnPACE Cost and Caseload Update	11,131,128
State Administered General Assistance Cost and Caseload Update	7,927,832
General Cost Update	3,808,443
Total Agency	116,713,428
Board of Education and Services for the Blind	
Fund the Impact of the Standard Wage Act	132,000
Adjust Personal Services to Reflect Final Collective Bargaining Settlements	3,773
Total Agency	135,773
University of Connecticut	
Adjust Personal Services	95,066
Charter Oak College	
Adjust Personal Services	6,800
Teachers' Retirement Board	
Increase Funding for the Municipal Retirees Health Insurance Costs	561,000
Connecticut State University	
Provide Funding for New Facilities	574,858
Department of Correction	
Provided Funds for Out of State Prison Beds	11,912,900
Meet Additional Utility Requirements	362,608
Adjust for Increased Inmate Population	8,385,720
Provide Additional Funding for Inmate Medical Services and Workers Compensation	5,664,738
Total Agency	26,325,966
Board of Parole	
Adjust Personal Services to Reflect Final Collective Bargaining Settlements	16,925
Department of Children and Families	
Establish Infant Safe Homes/Consent Decree	185,055
Add Specialized Foster Care Beds/Consent Decree	463,579
Expenditure Update/Services for Transitional Youth	1,800,000
Expenditure Update/Annualization-FY 00 Deficiency	5,887,799
Implement Federal Child Abuse Prevention and Treatment Act Regulations	87,000
Pickup with State Funds/Child Welfare Staff	591,460
Maintain Local Systems of Care Programs	400,000
Total Agency	9,414,893

County Sheriffs

Provide Funds for Holiday and Personal Leave for Qualified Special Deputy Staff	1,153,350
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Judicial Department

Provide Deficiency Funding for Juvenile Detention Enhancement	5,459,387
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Fund the Impact of the Standard Wage Act	53,312
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Total Agency	5,512,699
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Public Defender Services Commission

Adjust Personal Services to Reflect Final Collective Bargaining	177,997
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Debt Service - State Treasurer

Increase Debt Service by Increasing General Obligation (GO) Bond Issuance Assumption	15,720,000
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Increase Arbitrage Rebate	1,500,000
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Increase Interest Rate and Issuance Assumptions	8,464,504
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Total Agency	25,684,504
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Workers' Compensation Claims - Department of Administrative Services

Increase Funding for Workers' Compensation Claims	2,000,000
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Employers Social Security Tax

Adjust Funding Due to Positions Changes	520,500
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State Employees Health Service Cost

Adjust Funding Due to Position Changes	860,000
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Retired State Employees Health Service Cost

Increase Funding Due to Revised Estimates	9,200,000
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Lapses

IT Savings	50,000,000
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Total General Fund	311,988,999
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Banking Fund**Department of Banking**

Adjust Personal Services to Reflect Final Collective Bargaining	2,393
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Add Funds to the Department Due to an Adjustment to the Fringe Benefit Recovery Rate	132,321
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Total Agency	134,714
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Insurance Fund**Department of Insurance**

Adjust Personal Services to Reflect Final Collective Bargaining Settlements	5,088
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Add Funds to the Department for an Adjustment in the Fringe Benefit Recovery Rate	223,133
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Add Funds to the Department to Implement Public Act 99-284 - An Act Concerning Managed Care	649,180
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Accountability	
Total Agency	877,401

Consumer Counsel and Public Utility Control Fund**Office of Consumer Counsel**

Adjust Personal Services to Reflect Collective Bargaining Settlements	10,542
Provide Funding to Increase Consumer Counsel's Salary	10,652
Increase Funding for Fringe Benefits	30,236
Total Agency	51,430

Department of Public Utility Control

Adjust Personal Services to Reflect Collective Bargaining Settlements	66,005
Provide Funding to Increase the Chairperson and Commissioners' Salaries	95,704
Increase Funding for Fringe Benefits	228,688
Fund Telecommunications Positions Authorized Through FAC Action	259,556
Total Agency	649,953

Total Consumer Counsel and Public Utility Control Fund	701,383
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Workers' Compensation Fund**Workers' Compensation Commission**

Adjust Fringe Benefit Recovery Rate	195,952
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Soldiers', Sailors', and Marines' Fund**Soldiers, Sailors and Marines' Fund**

Add Funds to Other Expenses for Revision in Fringe Benefit Recovery Rate	18,054
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Regional Market Operation Fund**Department of Agriculture**

Adjustment to Fringe Benefit Recovery Rate	2,717
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Transportation Fund**Debt Service - State Treasurer**

Increase Interest Rate Assumption	1,285,934
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Workers' Compensation Claims - Department of Administrative Services

Increase Funding for Workers' Compensation Claims	1,500,000
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State Employees Retirement Contributions

Adjust Requirements Due to Increases in Recoveries	1,254,000
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Total Transportation Fund	4,039,934
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Grand Total	317,959,154
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Policy Revision Reductions

General Fund

Governor's Office

Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions -96,000

Secretary of the State

Annualization of the FY 2000 Hiring Freeze and Allotment Recisions -18,950

Lieutenant Governor's Office

Annualize Savings from FY 00 Hiring Freeze -20,000

Ethics Commission

Annualization of the FY 2000 Hiring Freeze and Allotment Recisions -3,428

State Properties Review Board

Annualization of the FY 2000 Hiring Freeze and Allotment Recision -2,480

State Comptroller

Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions -233,000

Department of Revenue Services

Annualize Savings from FY 00 Hiring Freeze -250,000

Division of Special Revenue

Transfer UConn Microchemistry Lab Costs for Urine Testing to Greyhound
Racing Facilities -463,190

Annualize Savings from FY 00 Hiring Freeze -121,665

Total Agency -584,855

Gaming Policy Board

Annualize Savings from FY 00 Hiring Freeze -200

Office of Policy and Management

Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions -286,294

Transfer Funding for Jobs Program Coordinator -100,000

Eliminate Inflation in the Drug Enforcement Program -193,728

Reduce Rate Schedule for the PILOT for New Manufacturing Machinery
and Equipment -2,300,000

Eliminate Funding for Interlocal Agreements -208,080

Total Agency -3,088,102

Department of Veterans Affairs

Reduce Funds From the Department as a Result of the Level of Care Study -395,000

Department of Administrative Services

Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions -1,010,000

Reduce Funding for Automated Personnel System -400,000

Transfer the Automated Personnel System to DOIT -1,502,299

Transfer Positions to CHRO for the Set-Aside Program -61,190

Total Agency -2,973,489

Department of Information Technology	
Eliminate Funding for Vacant Positions	-150,000
Reduce Funding for Other Expenses	-10,000
Total Agency	-160,000
Attorney General	
Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions	-100,000
Office of the Claims Commissioner	
Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions	-1,645
Division of Criminal Justice	
Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions	-200,000
Department of Public Safety	
Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions	-131,462
Police Officer Standards and Training Council	
Consider Elimination of Alzheimer's Association Subsidy	-50,000
Board of Firearms Permit Examiners	
Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions	-9,000
Military Department	
Provide FY 00 Surplus Funds for Completion of Microfiche Project	-50,000
Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions	-10,000
Total Agency	-60,000
Department of Consumer Protection	
Annualization of the FY 2000 Hiring Freeze and Allotment Recision	-113,891
Reduce Occupational Licensing Support Services	-10,595
Transfer Public Charities Regulation Program	-173,613
Total Agency	-298,099
Labor Department	
Annualize Savings from FY 00 Hiring Freeze	-200,000
Transfer Funds from the Department of Labor to Create a New Office of Workforce Competitiveness	-7,000,000
Reduce Funds for Connecticut Employment and Training Commission	-650,000
Job Funnels for Hartford Projects	-500,000
Reduce Funds from the Community Employment Incentive Program	-1,069,825
Total Agency	-9,419,825
Commission on Human Rights and Opportunities	
Reduce Funds to Effect Efficiencies	-168,000
Office of Protection and Advocacy for Persons with Disabilities	
Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions	-5,572
Office of the Child Advocate	
Reduce Funding to Effect Economies	-17,451
Department of Agriculture	
Eliminate Funding for the Food and the Seafood Councils	-100,000
Department of Environmental Protection	
Annualize Savings from FY 00 Hiring Freeze	-427,378

Connecticut Historical Commission

Reduce Funds for Statewide Historical Resource Inventory	-20,000
Reduce Personal Services	-3,300
Transfer Funding for the Rochambeau	-25,000
Transfer Funding for the Freedom Trail	-40,000
Total Agency	-88,300

Department of Economic and Community Development

Annualize Savings from FY 00 Hiring Freeze	-100,000
Replace Funding Source for the Freedom Trail and the Film Commission	-250,000
Reduce Industry Cluster Funding	-400,000
Reduce Other Expenses Account	-150,000
Eliminate Funding for Entrepreneurial Centers	-50,000
Eliminate Funding for Housing Aid	-5,143,276
Total Agency	-6,093,276

Agricultural Experiment Station

Annualize Savings from FY 00 Hiring Freeze	-5,503
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Department of Public Health

Transfer Children's Sexual Abuse Clinic Funding	-350,000
Postpone Distribution of Rotavirus Vaccine	-2,389,774
Restrict Funding for Community Health Centers to FY 00 Levels	-382,747
Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions	-1,174,841
Repeal Nail Technician Licensure Program	-179,500
Total Agency	-4,476,862

Office of Health Care Access

Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions	-170,758
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Office of the Medical Examiner

Annualize Savings from FY 00 Hiring Freeze	-15,205
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Department of Mental Retardation

Transfer Funding to DSS for the Conversion of Southbury Training School Prescription Program to Medicaid	-1,200,000
Reduce Funding as a Result of Residential Phase-In	-1,500,000
Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions	-19,280
Total Agency	-2,719,280

Department of Mental Health and Addiction Services

Close Geriatric Services at CVH	-177,929
Restructure State Operated Acute Psychiatric Services	-463,712
Restructure State Operated Detoxification Services	-255,033
Eliminate Funding for Ambulance Transportation	-300,000
Eliminate New Funding Initiatives	-712,500
Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions	-1,776,820
Transfer Compulsive Gambling Program from General Fund	-100,000
Total Agency	-3,785,994

Department of Social Services

Eliminate Medicaid Adult Health Benefits Under HUSKY A	-22,700,000
Enhance Oral Health	-100,000
Implement Medicaid Equity	-912,000
MEDICAID AND RELATED MEDICAL PROGRAMS Pharmacy Restructuring - Generic Substitutions	-6,700,000

Pharmacy Restructuring - Most Favorable Pricing	-13,700,000
Revise Accounting Treatment of ConnPACE Rebates	-8,000,000
Reflect Saving Due to Elderly Congregate Housing Changes	-257,000
Restructure HUSKY Outreach	-2,000,000
Strengthen Audit Functions	-3,870,000
Realign Disproportionate Share Hospital Funding	-40,000,000
Provide Additional Resources for Financial Data Matches	-51,230
Strengthen Employment Services Non-Compliance Sanctions	-115,452
Change Security Deposit Program	-224,000
Restructure SAGA Non-Emergency Transportation	-3,942,000
OTHER SERVICES Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions	-1,500,000
Transfer Food Stamp Training Program	-130,800
Implement Administrative Efficiencies	-595,000
Change Processing of Child Support Refunds	-1,800,000
Total Agency	-106,597,482

Department of Education

Reduce School Accountability Funding	-1,000,000
Annualize FY 00 Hiring Freeze and Allotment Recisions	-1,093,100
Fund 60 Family Resource Centers	-100,000
Total Agency	-2,193,100

Board of Education and Services for the Blind

Reduce Other Expenses	-70,085
Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions	-78,717
Total Agency	-148,802

Commission on the Deaf and Hearing Impaired

Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions	-37,011
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State Library

Eliminate Funding for the Impressionist Arts Trail	-50,000
Annualize FY 00 Account Reductions	-166,393
Total Agency	-216,393

Department of Higher Education

Eliminate Inflationary Increases	-69,689
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Regional Community - Technical Colleges

Eliminate Funding for Access to Opportunity	-2,000,000
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Department of Correction

Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions	-2,298,700
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Department of Children and Families

Realign Voluntary Services	-338,056
Rescind Education Payments After Age 21	-49,099
Total Agency	-387,155

Council to Administer the Children's Trust Fund

Reduce Support for Kinship Care Program	-6,375
Eliminate Two Healthy Families/First Steps Programs	-400,000
Reduce Support for Lengthening the Rope Services	-5,690
Re-integrate Children's Trust Fund Into DCF	-3,708,592
Total Agency	-4,120,657

County Sheriffs

Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions -89,407

Office of Victim Services

Transfer Funding for the Office of Victim Services (OVS) to the
Judicial Department -3,610,622

Transfer the Sexual Assault Nurse Examiner (SANE) Program to the
Division of Criminal Justice -50,000

Total Agency -3,660,622

Miscellaneous Appropriations to the Governor

Annualize Savings from FY 00 Hiring Freeze and Allotment Recision -900

State Employees Retirement Contributions

Consolidate Information Technology -665,447

Insurance - Group Life

Consolidate Information Technology -5,030

Employers Social Security Tax

Consolidate Information Technology -257,620

Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions -606,300

Total Agency -863,920

State Employees Health Service Cost

Consolidate Information Technology -358,970

Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions -509,600

Adjust Funding Due to Position Changes -86,600

Total Agency -955,170

Lapses

Gavel to Gavel -2,160,000

Legislative Lapse FY 99-00 Hiring Freeze -700,000

Legislative Lapse FY 00-01 Hiring Freeze -400,000

Statewide Hiring Freeze -6,100,000

Total General Fund -169,838,599

Banking Fund**Department of Banking**

Annualize Savings from FY 00 Hiring Freeze -388,149

Consumer Counsel and Public Utility Control Fund**Office of Consumer Counsel**

Annualization of the FY 2000 Hiring Freeze and Allotment Recision -87,165

Department of Public Utility Control

Annualization of the FY 2000 Hiring Freeze and Allotment Recision -139,340

Total Consumer Counsel and Public Utility Control Fund -226,505

Workers' Compensation Fund**Labor Department**

Eliminate Funding for the Occupational Health Clinics -674,725

Workers' Compensation Commission

Eliminate Rehabilitative Services Program -6,513,765

Total Workers' Compensation Fund -7,188,490

Mashantucket Pequot and Mohegan Fund Grant

Reduce Funding to Offset General Assistance Disabilities -7,600,000

Regional Market Operation Fund**Department of Agriculture**

Annualize Savings from FY 00 Hiring Freeze -18,687

Criminal Injuries Compensation Fund**Office of Victim Services**

Transfer Funding for the Office of Victim Services (OVS) to the
Judicial Department -1,900,000

Transportation Fund**Motor Vehicle Department**

Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions -272,815

Department of Transportation

Reduce Tweed-New Haven Airport Funding -600,000

Increase Bus Fares -3,481,361

Transfer Town Aid Road Grant to General Fund -35,000,000

Total Agency -39,081,361

State Employees Retirement Contributions

Consolidate Information Technology -86,120

Employers Social Security Tax

Consolidate Information Technology -33,290

Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions -11,500

Total Agency -44,790

State Employees Health Service Cost

Consolidate Information Technology -26,000

Annualize Savings from FY 00 Hiring Freeze and Allotment Recisions -15,600

Total Agency -41,600

Total Transportation Fund -39,526,686

Grand Total -226,687,116

Policy Revision Additions

General Fund

Freedom of Information Commission

Enhance Commissioners' Per Diem Rates	18,050
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Department of Revenue Services

Consolidate Information Technology Staff	162,597
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Division of Special Revenue

Consolidate Information Technology Staff	36,172
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Office of Policy and Management

Consolidate Information Technology	33,446
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Department of Veterans Affairs

Consolidate Information Technology Staff	36,177
--	--------

Office of Workforce Competitiveness

Transfer Funds From the Department of Labor to Create the Office of Workforce Competitiveness	7,000,000
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Transfer Funds From the Office of Policy and Management to the Office of Workforce Competitiveness	100,000
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Total Agency	7,100,000
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Department of Administrative Services

Consolidate Information Technology Staff	133,058
--	---------

Department of Information Technology

Transfer the Automated Personnel System from DAS	1,502,299
--	-----------

Department of Public Works

Provide Funding for Lease of New DOIT Facility	2,895,000
--	-----------

Consolidate Information Technology Staff	27,930
--	--------

Total Agency	2,922,930
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Attorney General

Transfer Public Charities Regulation Program	173,613
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Establish an Account for Training and Education	52,500
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Establish an Account for Litigation Costs	25,000
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Total Agency	251,113
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Division of Criminal Justice

Transfer Funds from the Office of Victim Services (OVS) for the Sexual Assault Nurse Examiner (SANE) Program	50,000
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Provide Funding for Police-Involved Shooting Investigations	128,200
---	---------

Consolidate Information Technology Staff	33,022
--	--------

Total Agency	211,222
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Department of Public Safety

Consolidate Information Technology Staff	32,080
--	--------

Commission on Fire Prevention and Control

Contract Out Facilities Management Functions	54,000
--	--------

Commission on Human Rights and Opportunities

Transfer Funds and Position From Department of Administrative Services to the Commission on Human Rights and Opportunities for the Set-Aside Program	46,500
---	--------

Department of Economic and Community Development

Consolidate Information Technology Staff	33,446
Adjust Expenditures for Congregate Housing	803,088
Total Agency	836,534

Department of Public Health

Expand Oral Health Care Access	100,000
Consolidate Information Technology Staff	71,722
Total Agency	171,722

Department of Mental Retardation

Provide Funding to Support Group Home for Young Adults	827,820
Consolidate Information Technology Staff	71,308
Total Agency	899,128

Department of Mental Health and Addiction Services

Expand Special Population Program	3,715,625
Restructure SAGA Non-Emergency Transportation	2,956,000
Realign Disproportionate Share Hospital Funding	25,360,000
Consolidate Information Technology Staff	251,720
Total Agency	32,283,345

Department of Transportation

Transfer Town Aid Road Grant to General Fund	35,000,000
--	------------

Department of Social Services

Establish Work Incentive Program for the Disabled	3,400,000
Convert Southbury Training School Prescription Program to Medicaid	1,200,000
Restructure DMHAS Services for Medicaid Eligible Clients	209,000
Expand Home Care Rates and Services	4,890,000
Fund Child Support Lien Registry	73,500
Establish Program for Disabled Rent Sharing	120,000
Consolidate Information Technology Staff	140,638
Enhance Child Care Reimbursement Rates	7,577,786
Total Agency	17,610,924

Department of Education

Increase Charter School Funding	1,000,000
Transfer Agency IT Managers to the department of Information Technology	33,424
Increase Support of the American School for the Deaf	60,000
Total Agency	1,093,424

State Library

Establish Voices for Children Parents Academy	50,000
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University of Connecticut

Transfer and Increase Funds for Regional Campus Expansion	1,000,000
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Teachers' Retirement Board

Consolidate Information Technology Staff	33,446
Funding Position Added Last Session	35,072
Increase Funding for the Medicare Eligible Retired Teachers Health Insurance Plans	1,366,885
Total Agency	1,435,403

Connecticut State University	
Create Undergraduate Programs	405,000
Department of Correction	
Consolidate Information Technology Staff	31,726
Board of Parole	
Consolidate Information Technology Staff	36,177
Department of Children and Families	
Consolidate Information Technology Staff	91,298
Re-Integrate Children's Trust Fund into DCF	3,708,592
Transfer Children's Sexual Abuse Clinic Funding	350,000
Total Agency	4,149,890
Judicial Department	
Transfer Funding for the Office of Victim Services (OVS) to the Judicial Department	3,610,622
Pick-Up Expiring Federal Grants with General Funds	959,723
Total Agency	4,570,345
State Employees Retirement Contributions	
Realign Psychiatric Disproportionate Share Funding	6,898,000
Insurance - Group Life	
Realign Psychiatric Disproportionate Share Funding	30,000
Employers Social Security Tax	
Realign Psychiatric Disproportionate Share Funding	2,284,000
Adjust Funding Due to Position Changes	78,500
Total Agency	2,362,500
State Employees Health Service Cost	
Realign Psychiatric Disproportionate Share Funding	5,099,000
Total General Fund	126,502,762
Criminal Injuries Compensation Fund	
Judicial Department	
Transfer Funding for the Office of Victim Services (OVS) to the Judicial Department	1,900,000
Transportation Fund	
Motor Vehicle Department	
Consolidate Information Technology Staff	64,205
Fund Insurance Enforcement Positions	199,592
Total Agency	263,797
Department of Transportation	
Consolidate Information Technology Staff	102,636
Total Transportation Fund	366,433
Grand Total	128,769,195

Governor's Significant Policy Changes Concerning Grants to Towns

The following information is a summary of the governor's significant policy changes concerning grants to towns:

- The governor's budget recommendations represent a \$10.5 million decrease over the amount originally appropriated for FY 01 and an \$82.5 million or 3.6% increase over estimated expenditures for FY 00.
- The governor has reduced the Mashantucket Pequot and Mohegan Fund grant by \$7.6 million in lieu of reimbursements by the towns to the state in the same amount for General Assistance overpayments and audit adjustments owed by towns. Of this amount, \$3.2 million has been identified so far based on audits completed as of 12/31/99 affecting the following towns:

Impact on Towns from Overpayments / Audit Adjustments (Figures in Millions)	
Town	Reduction
Bridgeport	\$2,067,415
New Haven	635,122
Norwalk	315,713
Waterbury	133,185
Wolcott	59,240
Preston	27,541
Others Not Yet Identified	4,361,784
Total	\$7,600,000.00

- Based on the governor's budget and because of new properties coming on line and mill rate increases, the PILOT-State Property grant and the PILOT-Private Property grant to towns will need to be prorated downward by the full reimbursement level by \$2.5 million and \$3.1 million, respectively.
- The governor's budget eliminates funding for the Tax Abatement grant (\$2.2 million) and the Payment in Lieu of Taxes grant (\$2.9 million) within the Department of Economic Development.
- The governor's net \$2.2 million increase for the PILOT-New Manufacturing Machinery and Equipment grant includes a \$2.3 million reduction associated with: (1) decreasing the reimbursement level from 100% to 80% for new properties being added to the program over the next three fiscal years and (2) repealing the expansion of the program to commercial vehicles weighing 55,000 lbs. or more.

**Governor's Significant Policy Revisions
Concerning Grants to Towns
Comparison of Revised Budget for FY 01 with Original Budget for FY 01**

Agency / Grant	1 Estimated FY 00	2 Original FY 01	3 Revised FY 01	3-2 Difference Rev. - Orig.	Comment
OPM					
PILOT-Manufacturing	\$ 72.3	\$ 74.5	\$ 76.7	\$ 2.2	The net \$2.2 million increase for the PILOT-New Manufacturing Machinery and Equipment grant includes a \$2.3 million reduction associated with: 1) decreasing the reimbursement level from 100% to 80% for new properties being added to the program over the next three fiscal years and 2) repealing the expansion of the program to commercial vehicles weighing 55,000 lbs. or more.
DECD					
Tax Abatement	2.2	2.2	-	(2.2)	Program eliminated.
Payment in Lieu of Taxes	2.9	2.9	-	(2.9)	Program eliminated.
SDE					
OPEN Choice Program	6.2	9.4	8.3	(1.1)	Modifies mandate to encourage new towns to seek creative solutions to racial inequities.
School Accountability	0.3	2.7	1.7	(1.0)	Limits the increase from \$300,000 in FY 00 to \$1.7 million in FY 01.
TRB [1]					
Retirees Health Service	3.8	4.0	5.4	1.4	Represents the net impact of increasing health insurance costs associated with the Medicare eligible retired teachers health insurance plans (\$8.6 million) and requiring a premium co-share (-\$7.2 million).
Mun. Retirees Health	4.6	4.7	5.3	0.6	Represents the net impact of increasing the subsidy to retired teachers covered under their local health insurance plans (\$2.4 million) and removing the statutory relationship between the municipal and state health plan subsidies (-\$1.8 million).
Non-Functional					
PILOT-State Property	63.2	63.8	63.8	-	Because of new properties coming on line and mill rate increases, the grant will need to be prorated downward by \$2.5 million from the full reimbursement level.
PILOT-Private Property	97.2	97.2	97.2	-	Because of new properties coming on line and mill rate increases, the grant will need to be prorated downward by \$3.1 million from the full reimbursement level.
Mashantucket-Pequot	135.0	135.0	127.4	(7.6)	Adjustment based on recouping \$7.6 million in General Assistance overpayments and audit adjustments owed by towns.
Total - Above Items	\$ 387.7	\$ 396.4	\$ 385.8	\$ (10.6)	
All Others	1,921.5	2,005.8	2,005.9	0.1	
Grand Total	\$2,309.2	\$2,402.2	\$2,391.7	\$ (10.5)	

[1] Both items listed under the Teachers' Retirement Board represent payments that the state makes to the teachers' retirement health insurance plan as a payment on behalf of teachers. These amounts are not actually grant payments to towns, as they are not paid directly to the municipalities

**Governor's Significant Changes
Concerning Grants to Towns
Comparison of Revised Budget for FY 01 with Estimates for FY 00**

Agency / Grant	1 Estimated FY 00	2 Original FY 01	3 Revised FY 01	3-1 Difference Rev. - Est.
OPM				
PILOT-Manufacturing	\$ 72.3	\$ 74.5	\$ 76.7	\$ 4.4
SDE				
ECS	1,349.1	1,395.0	1,394.0	44.9
Magnet Schools	20.3	32.8	31.7	11.4
TRB [1]				
Retirement Contributions	204.4	214.7	214.7	10.3
Retirees Health Service	3.8	4.0	5.4	1.6
Mun. Retirees Health	4.6	4.7	5.3	0.7
Non-Functional				
Mashantucket-Pequot	135.0	135.0	127.4	(7.6)
Total - Above Items	\$1,789.5	\$1,860.7	\$1,855.2	\$ 65.7
All Others	519.7	541.5	536.5	16.8
Grand Total	\$2,309.2	\$2,402.2	\$2,391.7	\$ 82.5

[1] All items listed under the Teachers' Retirement Board represent payments that the state makes to the teachers' retirement health insurance plan as a payment on behalf of teachers. These amounts are not actually grant payments to towns, as they are not paid directly to the municipalities.

Tobacco Settlement Fund

	Original Budget Plan [1]		Governor's Revised Revenue Estimates 2/9/00		Difference (Rev. Minus Orig.)		Governor's Deficit Elimination Proposal	
	<u>FY 00</u>	<u>FY 01</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY 00</u>	<u>FY 01</u>
Beginning Balance	\$ -	\$ 62.8	\$ -	\$ 47.4	\$ -	\$ (15.4)	\$ -	\$ 47.4
CT Share of Tobacco Settlement	165.8	133.5	150.4	111.8	(15.4)	(21.7)	150.4	111.8
Subtotal - Available Funds	\$ 165.8	\$ 196.3	\$ 150.4	\$ 159.2	\$ (15.4)	\$ (37.1)	\$ 150.4	\$ 159.2
Less: Transfers								
Transfer to General Fund (see following table for usage)	\$ (78.0)	\$ (150.3)	\$ (78.0)	\$ (150.3)	\$ -	\$ -	\$ (78.0)	\$ (139.2)
Transfer to Tobacco Health Trust Fund (PA 99-2, JSS provides \$20 million each year)	(20.0)	(20.0)	(20.0)	(20.0)	-	-	(20.0)	(20.0)
Transfer to Tobacco Grant Account (OPM)	(5.0)	-	(5.0)	-	-	-	(5.0)	-
Subtotal - Transfers	\$ (103.0)	\$ (170.3)	\$ (103.0)	\$ (170.3)	\$ -	\$ -	\$ (103.0)	\$ (159.2)
Ending Balance	\$ 62.8	\$ 26.0	\$ 47.4	\$ (11.1)	\$ (15.4)	\$ (37.1)	\$ 47.4	\$ -

[1] SA 99-10 (the Appropriations Act) transfers \$78 million in FY 00 and \$150.3 million in FY 01 from the Tobacco Settlement Fund to the General Fund. PA 99-2, JSS (the Public Health implementer) disburses \$20 million in each of FY 00 and FY 01 to the Tobacco Health Trust Fund and \$5 million to a Tobacco Grant account to be established within the Office of Policy and Management (OPM).

[2] The governor eliminates this deficit by reducing the amount of Tobacco Settlement Fund moneys that are transferred to the General Fund in FY 01 from \$150.3 million to \$139.2 million (which approximates his earmarked expenditures of \$139.7 million). As a result of making this reduction, a zero balance would exist at the end of FY 01 in the Tobacco Settlement Fund. The original budget plan showed a balance of \$26 million. However, it should be noted that the reduction in the amount of the transfer to the General Fund is predicated upon preliminary projections, which indicate that there will be upward adjustments from other revenue sources in FY 01 sufficient to keep the budget in balance.

Using Tobacco Settlement Funds [1]

Item/Agency	Original Budget Plan		Gov. Revised	Funding Reductions Reflected in Gov. Revised Budget	
	FY 00	FY 01	FY 01		<u>FY 01</u>
Public Health Initiatives					
Smoking Enforcement - DMHAS	\$ 0.4	\$ 0.4	\$ 0.4		
Programs for Women - DMHAS (SA 99-10 funds \$425,000 in FY 01)	0.3	0.4	-	Reflects Gov.'s elimination of funding for program.	
Smoking Cessation for Veterans - DMHAS (\$50,000 per yr.)	0.1	0.1	-	Reflects Gov.'s elimination of funding for program.	
Tobacco Education - DPH	0.2	0.2	0.2		
Universal Vaccine - DPH	3.5	3.5	3.5		
Community Health Centers Enhancement - DPH (PA 99-2, JSS provides \$1,315,000 in FY 00 and \$1,348,300 in FY 01)	1.3	1.3	0.9	Reflects Gov.'s allotment reduction of \$382,747.	
Sexually Abused Children Clinics - DPH (\$350,000 per yr.)	0.4	0.4	0.4	No Reduction - Gov. transfers from DPH to DCF.	
School Based Health Centers - DPH (\$563,332 in FY 00 and \$640,000 in FY 01)	0.6	0.6	0.3	No Reduction - total included in Gov.'s budget is \$0.9 million.	
Rotavirus Immunization - DPH (\$2,389,774 in FY 01)	-	2.4	-	Reflects delay until vaccine's safety and efficacy are confirmed.	
Enhance Oral Health	-	-	0.1		
Allow Disabled Individuals to Work without Jeopardizing their Medicaid Benefits	-	-	3.4		
Develop Assisted Living Pilots - DSS (\$1,022,700 in FY 00 and \$4,110,000 in FY 01)	1.0	4.1	1.5	Reduction reflects technical adj. due to buildings not yet open.	
Expand Congregate Housing Opportunities	-	-	0.5		
Expand Home Care Program - DSS	-	9.7	5.5	No Reduction - Gov.'s budget provides an additional \$4.9 million for new expansion as indicated on this line.	
New Expansion for the Home Care Program	-	-	4.9		
New Program for Severely Psychiatric Youth	-	-	3.3		
Personal Care Assistance / ABI Waiver Services	-	-	5.8		
Implementation of the Managed Care Accountability Act	-	-	0.4		
Early Intervention	-	-	1.5		
Safe Homes for Infants Program	-	-	0.2		
Expansion of Specialized Foster Care Beds	-	-	0.5		

Item/Agency	Original Budget Plan		Gov. Revised FY 01	Funding Reductions Reflected in Gov. Revised Budget FY 01
	FY 00	FY 01		
HUSKY for Parents - DSS	0.2	5.0	-	Reflects Gov.'s elimination of funding for program.
Healthy Families and Related Program Expansion - Children's Trust Fund	0.8	0.8	0.4	Gov. canceled 2 new progs. orig. scheduled to begin 01/01/00.
Tax Relief to Stabilize CT's Health Care System				
Eliminate the Hospital Gross Receipts Tax	-	-	75.0	
Tax Credit for Providers of Medical Coverage through HUSKY A and/or HUSKY	-	-	10.5	
Total - Public Health Initiatives	\$ 8.7	\$ 28.9	\$ 119.2	

Education is Our Future Initiative

Education Network and Distance Learning:

>Charter Oak College - Distance Learning Consortium (SA 99-10 provides \$521,883 in FY 00 and \$511,098 in FY 01)

\$	0.5	\$	0.5	\$	-	No Red. - Gov. provides addtl. \$2 million from FY 00 surplus.
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Tuition Freeze:

>UConn (\$2,558,458 each year)

2.6	2.6	-	No Red. - amount reflects ongoing impact of FY 00 freeze.
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>Reg. Comm. - Tech. Colleges (SA 99-10 provides \$1,185,601 in each year)

1.2	1.2	-	No Red. - amount reflects ongoing impact of FY 00 freeze.
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>CT State University (\$3,497,229 each year)

3.5	3.5	-	No Red. - amount reflects ongoing impact of FY 00 freeze.
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Magnet Schools - SDE

-	12.1	10.8	Reflects \$1.1 million technical adjustment.
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Education Cost Sharing (ECS) Grant - SDE

-	31.0	-	Gov. reduces ECS by \$1 million to reflect technical adjustment.
---	------	---	--

Expansion of School Based Health Clinics

-	-	2.0
---	---	-----

Charter Schools

-	-	2.7
---	---	-----

Statewide Early Reading Success Institute

-	-	1.4
---	---	-----

School Accountability

-	-	1.4
---	---	-----

OPEN Choice

-	-	2.1
---	---	-----

Pick-up of Project READ Grant

-	-	0.1
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Total - Education Initiatives	\$ 7.8	\$ 50.9	\$ 20.5
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Item/Agency	Original Budget Plan		Gov. Revised	Funding Reductions
	FY 00	FY 01	FY 01	Reflected in Gov. Revised Budget <u>FY 01</u>
Local Relief				
Increase Local Property Tax Relief:				
>PILOT Grants	\$ 50.0	\$ 50.0	-	Per new property data, grants may need to be reduced proportionately to the level of appropriation for State-Owned (\$2.5 m) & Private (\$3.1 m).
Total - Local Relief	\$ 50.0	\$ 50.0	\$ -	
Subtotal - Above Uses	\$ 66.5	\$ 129.8	\$ 139.7	
Plus: Disbursements				
Tobacco Health Trust Fund	20.0	20.0	20.0	
Tobacco Grant Account	5.0	-	-	
Subtotal – Disbursements	\$ 25.0	\$ 20.0	\$ 20.0	
Grand Total	\$ 91.5	\$ 149.8	\$ 159.7	

[1] The amounts identified under Original Budget Plan and Governor's Revised Plan reflect the intended expenditures from tobacco settlement funds for specific programs. These amounts total \$66.5 million for FY 00 and \$129.8 million for FY 01 based on final legislative action and \$139.7 based upon the governor's revised earmarkings. In addition to these appropriated funds, there is a non-lapsing \$20 million disbursement in each of FY 00 and FY 01 from the Tobacco Settlement Fund to the Tobacco Health Trust Fund and a \$5 million disbursement to OPM's Tobacco Grant account as provided in PA 99-2, JSS (the Public Health implementer). This \$5 million disbursement will not lapse at the end of FY 00 and will continue to be available for expenditure during FY 01.

Analysis of the Out-Year's Impact of the Governor's General Fund Budget Revision Proposals for FY 01

After estimating revenues based on the governor's proposals and reflecting revised funding requirements, OFA estimates current services shortfalls amounting to \$253.2 million for FY 02, \$247.4 million in FY 03 and \$454.4 million in FY 04. These amounts are greater than the shortfalls projected by the governor by \$41.3 million in FY 02, \$48.9 million in FY 03 and \$128.8 million in FY 04. (See tables on [pages 44 and 45](#))

The difference is largely due to OFA's revenue estimates, which are lower than those of the governor by \$60.2 million in FY 02, \$76.6 million in FY 03 and \$146.5 million in FY 04. The differences in our estimates from the governor's are mainly due to variances in non-tax revenue sources and reimbursements from the federal government for social and health programs (primarily Medicaid). These differences become greater in FY 03 and FY 04 when historical growth rates are applied to these revenue sources. OFA's expenditure estimates include the following minor adjustments in two major accounts to reflect current services requirements: (1) a \$17 million reduction in Medicaid in each of the out-years and (2) reductions of \$3 million in FY 02, \$13 million in FY 03 and \$35 million in FY 04 in the Education Cost Sharing (ECS) grant.

Under current law, implementation of Generally Accepted Accounting Principles (GAAP) is required to begin on July 1, 2003. However, the governor's out-year estimates do not include an adjustment for conversion to GAAP in FY 04. OFA's projections include the impact of the conversion to GAAP in FY 04, which could add approximately \$30 million to the budget on a net expenditure basis in that year and annualize to approximately \$65 million including amortization of the GAAP deficit in each of the following 15 fiscal years.

**OFA's Preliminary Estimate of the Out-Year
Impact of the Governor's Proposed
General Fund Budget Revisions
(in millions)**

	FY 01	FY 02	FY 03	FY 04
Governor's Revenues	\$ 11,254.1	\$ 11,647.5	\$ 12,117.7	\$ 12,597.2
Governor's Expenditures	11,249.4	11,859.4	12,316.2	12,922.8
Surplus / (Shortfall) Per Governor	\$ 4.7	\$ (211.9)	\$ (198.5)	\$ (325.6)
OFA Revenue Lower than Governor	\$ (35.8)	\$ (60.2)	\$ (76.6)	\$ (146.5)
OFA Expenditures Lower than Governor	\$ 11.4	\$ 18.9	\$ 27.7	\$ 17.7
Shortfall Per OFA	\$ (19.7)	\$ (253.2)	\$ (247.4)	\$ (454.4)
Shortfall Per OFA Higher Than Governor	\$ (24.4)	\$ (41.3)	\$ (48.9)	\$ (128.8)

**Detail of Differences Between
OFA and Governor's Out-Year Estimates
For the General Fund**

	FY 01	FY 02	FY 03	FY 04
Total GF Revenues (Gov.)	\$11,254.1	\$11,647.5	\$12,117.7	\$12,597.2
Revenue Changes (OFA)	(35.8)	(60.2)	(76.6)	(146.5)
Revised Revenues (OFA)	\$11,218.3	\$11,587.3	\$12,041.1	\$12,450.7
Total Expenditures - GF Gross (Gov.)	\$11,369.3	\$11,979.3	\$12,436.1	\$13,042.7
Legislative Unallocated Lapses	(1.0)	(1.0)	(1.0)	(1.0)
Gavel to Gavel Coverage	(2.2)	(2.2)	(2.2)	(2.2)
Legislative Lapse FY 00 Hiring Freeze	(0.7)	(0.7)	(0.7)	(0.7)
Legislative Lapse FY 01 Hiring Freeze	(0.4)	(0.4)	(0.4)	(0.4)
Estimated Unallocated Lapses	(85.0)	(85.0)	(85.0)	(85.0)
General PS Reduction	(13.5)	(13.5)	(13.5)	(13.5)
General OE Reduction	(11.0)	(11.0)	(11.0)	(11.0)
Statewide Hiring Freeze	(6.1)	(6.1)	(6.1)	(6.1)
Total Expenditures - GF Net (Gov.)	\$11,249.4	\$11,859.4	\$12,316.2	\$12,922.8
GF Expenditure Changes (OFA):				
DSS - Medicaid (incl. HUSKY)	(17.0)	(17.0)	(17.0)	(17.0)
SDE - ECS	-	(3.0)	(13.0)	(35.0)
DHE - Matching Grant	-	(4.7)	(3.7)	(1.9)
PILOT - State Property	2.5	2.6	2.7	2.8
PILOT - Private Property	3.1	3.2	3.3	3.4
GAAP	-	-	-	30.0
Total GF Expenditure Changes (OFA)	(11.4)	(18.9)	(27.7)	(17.7)
Total - Revised Expenditures - GF Net (OFA)	\$11,238.0	\$11,840.5	\$12,288.5	\$12,905.1
Diff. Revenues-Expenditures (Gov.)	\$ 4.7	\$ (211.9)	\$ (198.5)	\$ (325.6)
Diff. Revised Revenues-Expenditures (OFA)	\$ (19.7)	\$ (253.2)	\$ (247.4)	\$ (454.4)
Diff. OFA-Gov.	\$ (24.4)	\$ (41.3)	\$ (48.9)	\$ (128.8)

FY 00 and FY 01 General Fund Revenue Estimates
Including Estimates of Governor's Proposed Changes
As of March 3, 2000
(in thousands)

	OFA FY 00 Estimate	Governor's FY 00 Estimate	OFA Over/Under Governor	OFA FY 01 Estimate	Governor's FY 01 Estimate	OFA Over/Under Governor
Taxes						
Personal Income	\$ 4,105,000	\$ 4,131,000	\$ (26,000)	\$ 4,249,600	\$ 4,301,700	\$ (52,100)
Sales and Use	3,053,000	3,057,000	(4,000)	3,149,300	3,149,300	0
Corporations	550,000	549,000	1,000	497,400	496,200	1,200
Inheritance and Estate	230,000	222,000	8,000	247,900	236,000	11,900
Hospital Gross Receipts	64,000	66,500	(2,500)	0	0	0
Public Service Corporations	170,300	169,000	1,300	173,000	170,900	2,100
Insurance Companies	199,200	198,000	1,200	198,400	191,500	6,900
Cigarettes	121,900	119,400	2,500	118,900	118,500	400
Oil Companies	30,000	32,500	(2,500)	24,600	21,500	3,100
Real Estate Conveyance	110,000	110,000	0	112,200	105,000	7,200
Alcoholic Beverages	40,000	40,000	0	40,000	40,000	0
Miscellaneous	42,000	40,000	2,000	39,800	40,700	(900)
Admissions, Dues and Cabaret	25,000	26,000	(1,000)	25,500	27,000	(1,500)
Total Taxes	\$ 8,740,400	\$ 8,760,400	\$ (20,000)	\$ 8,876,600	\$ 8,898,300	\$ (21,700)
Refunds of Taxes	\$ (724,400)	\$ (728,400)	\$ 4,000	\$ (759,800)	\$ (790,000)	\$ 30,200
Net General Fund Taxes	\$ 8,016,000	\$ 8,032,000	\$ (16,000)	\$ 8,116,800	\$ 8,108,300	\$ 8,500
Other Revenue						
Transfer Special Revenue	\$ 258,000	\$ 261,100	\$ (3,100)	\$ 262,200	\$ 266,300	\$ (4,100)
Indian Gaming Payments	320,000	317,000	3,000	328,000	332,900	(4,900)
Licenses, Permits and Fees	125,000	126,000	(1,000)	120,200	121,200	(1,000)
Sales of Commodities and Services	32,000	31,200	800	32,000	31,500	500
Rentals, Fines and Escheats	40,000	41,500	(1,500)	40,000	48,900	(8,900)
Investment Income	65,000	66,400	(1,400)	68,000	68,000	0
Miscellaneous	128,000	130,000	(2,000)	131,300	133,600	(2,300)
Total Other Revenue	\$ 968,000	\$ 973,200	\$ (5,200)	\$ 981,700	\$ 1,002,400	\$ (20,700)
Other Sources						
Federal Grants	\$ 2,022,500	\$ 2,038,200	\$ (15,700)	\$ 2,063,000	\$ 2,086,600	\$ (23,600)
Transfer from Tobacco Settlement Fund	78,000	78,000	0	139,200	139,200	0
To Other Funds	(180,000)	(180,000)	0	(82,400)	(82,400)	0
Total Other Sources	\$ 1,920,500	\$ 1,936,200	\$ (15,700)	\$ 2,119,800	\$ 2,143,400	\$ (23,600)
Total Revenue	\$ 10,904,500	\$ 10,941,400	\$ (36,900)	\$ 11,218,300	\$ 11,254,100	\$ (35,800)

**FY 00 and FY 01 General Fund Revenue Estimates
Comparison of OFA and Governor's Base Estimates
As of March 3, 2000
(in thousands)**

	OFA FY 00 Estimate	Governor's FY 00 Estimate	OFA Over/Under Governor	OFA FY 01 Estimate	Governor's FY 01 Estimate	OFA Over/Under Governor
Taxes						
Personal Income	\$ 4,105,000	\$ 4,131,000	\$ (26,000)	\$ 4,268,700	\$ 4,330,100	\$ (61,400)
Sales and Use	3,053,000	3,057,000	(4,000)	3,188,000	3,188,000	0
Corporations	550,000	549,000	1,000	513,400	512,200	1,200
Inheritance and Estate	230,000	222,000	8,000	247,900	236,000	11,900
Hospital Gross Receipts	81,500	84,000	(2,500)	70,700	75,000	(4,300)
Public Service Corporations	170,300	169,000	1,300	173,000	170,900	2,100
Insurance Companies	199,200	198,000	1,200	208,900	202,000	6,900
Cigarettes	121,900	119,400	2,500	118,900	118,500	400
Oil Companies	30,000	32,500	(2,500)	30,600	27,500	3,100
Real Estate Conveyance	110,000	110,000	0	112,200	105,000	7,200
Alcoholic Beverages	40,000	40,000	0	40,000	40,000	0
Miscellaneous	42,000	40,000	2,000	43,500	44,400	(900)
Admissions, Dues and Cabaret	25,000	26,000	(1,000)	25,500	27,000	(1,500)
Total Taxes	\$ 8,757,900	\$ 8,777,900	\$ (20,000)	\$ 9,041,300	\$ 9,076,600	\$ (35,300)
Refunds of Taxes	\$ (724,400)	(728,400)	\$ 4,000	\$ (759,800)	(790,000)	30,200
Net General Fund Taxes	\$ 8,033,500	\$ 8,049,500	\$ (16,000)	\$ 8,281,500	\$ 8,286,600	\$ (5,100)
Other Revenue						
Transfer Special Revenue	\$ 258,000	\$ 261,100	\$ (3,100)	\$ 262,200	\$ 266,300	\$ (4,100)
Indian Gaming Payments	320,000	317,000	3,000	328,000	332,900	(4,900)
Licenses, Permits and Fees	125,000	126,000	(1,000)	122,000	123,000	(1,000)
Sales of Commodities and Services	32,000	31,200	800	32,000	31,500	500
Rentals, Fines and Escheats	40,000	41,500	(1,500)	40,000	48,900	(8,900)
Investment Income	65,000	66,400	(1,400)	68,000	68,000	0
Miscellaneous	128,000	130,000	(2,000)	140,000	142,300	(2,300)
Total Other Revenue	\$ 968,000	\$ 973,200	\$ (5,200)	\$ 992,200	\$ 1,012,900	\$ (20,700)
Other Sources						
Federal Grants	\$ 2,022,500	\$ 2,038,200	\$ (15,700)	\$ 2,075,000	\$ 2,109,500	\$ (34,500)
Transfer from Tobacco Settlement Fund	78,000	78,000	0	150,300	150,300	0
To Other Funds	(180,000)	(180,000)	0	(90,000)	(90,000)	0
Total Other Sources	\$ 1,920,500	\$ 1,936,200	\$ (15,700)	\$ 2,135,300	\$ 2,169,800	\$ (34,500)
Total Revenue	\$ 10,922,000	\$ 10,958,900	\$ (36,900)	\$ 11,409,000	\$ 11,469,300	\$ (60,300)

Governor's Proposed Revenue Changes

The following schedule presents an analysis of the Governor's proposed revenue changes. The Governor estimates that his changes will result in a net reduction of \$17.5 million in FY 00 plus \$25.4 million in Transportation Fund and \$273.6 million in FY 01 (General Fund - \$215.2, Transportation Fund - \$58.4 million). OFA estimates that the same changes will result in a net reduction in revenue of \$17.5 million in FY 00 plus \$22.7 million in Transportation Fund and \$243.6 million in FY 01 (General Fund - \$190.6 million, Transportation Fund - \$53.0 million). The difference between OFA and the Governor's estimates of the changes affecting FY 01 is mainly due to our differences associated with the tax credit for primary and secondary tuition expenses and federal grant revenue.

K-12 Education Tax Credit

The Governor estimates that the K-12 education tax credit will result in a revenue loss of \$16.5 million per year. OFA estimates the loss at \$8.1 million per year. The difference in the estimates can be explained by the number of families anticipated to qualify for the credit. The Governor's estimate assumes that approximately 33,700 families will be eligible for the credit while OFA anticipates that only 16,200 families will be eligible. OFA's estimate assumes fewer families will qualify because more families have income that exceeds the qualifying limits (qualifying income thresholds: joint/head of household filers, less than \$100,000 and single/married filing separate, less than \$50,000).

Federal Grants

The difference in the federal revenue estimate is primarily due to lower estimated expenditures under the Medicaid program. The OFA is estimating lower expenditures in both the health services and long term care portions of the Medicaid program.

Governor's Proposed Revenue Changes

Bill	Proposal	Effective Date	FY 00		FY 01	
			OFA (\$ Millions)	Governor	OFA (\$ Millions)	Governor
<u>General Fund Changes</u>						
Personal Income Tax						
HB 5234	Establishes a state credit equaling 15% of the credit taken for the federal HOPE Scholarship Tax Credit and the Lifetime Learning Tax Credit.	1/1/00	-	-	(11.0)	(11.9)
SB 144	Establishes a primary and secondary education expense credit for tuition expenses for students enrolled full-time in any grade from K-12. The credit is for the first 25% of eligible expenses after the first \$250 is deducted, up to a per-family credit of \$500. Single filers with income above \$50,000 and joint or head of household filers with income above \$100,000 do not qualify for the credit.	1/1/00	-	-	(8.1)	(16.5)
SB 142	Permits primary and secondary school teachers to deduct up to \$1,000 from their Connecticut gross income every four years for the purchase of a home computer.	1/1/01	-	-	0.0	0.0
Sales Tax						
HB 5235	Exempts college textbooks sold at qualifying book stores from the sales tax.	7/1/00	-	-	(3.5)	(3.5)
HB 5240	Increases the transfer of sales tax revenue collected by DMV attributable to the sales of motor vehicles to the Transportation Fund.	7/1/00	-	-	(35.2)	(35.2)
Corporation Business Tax						
SB 136	Establishes a single factor apportionment for manufacturing companies, effective January 1, 2001 and broadcast companies, effective January 1, 2002.	1/1/01	-	-	(14.7)	(14.7)
HB 5236	Raises the cap on the Opportunity Certificate tax credit by \$1 million annually.	1/1/01	-	-	(1.0)	(1.0)
SB 138	Establishes a credit for the donation of new or used computers to schools. The total credit amount is capped at \$1 million per year.	1/1/00	-	-	(0.3)	(0.3)

<u>Bill</u>	<u>Proposal</u>	Effective <u>Date</u>	<u>FY 00</u>		<u>FY 01</u>	
			OFA	Governor	OFA	Governor
			(\$ Millions)		(\$ Millions)	
SB 143	Establishes an urban reinvestment and brownfields tax credit program. The program provides up to \$250 million in tax credits over a five-year period. Companies qualifying for the credits will be able to take the credits over a ten-year period.	1/1/01	-	-	0.0	0.0
Hospital Gross Receipts Tax						
HB 5237	Eliminates the hospital gross receipts tax, effective April 1, 2000.	4/1/00	(17.5)	(17.5)	(70.7)	(75.0)
Insurance Companies Tax						
HB 5239	Establishes a tax credit to companies that provide coverage through HUSKY A and/or HUSKY B plans.	1/1/01	-	-	(10.5)	(10.5)
Oil Companies Tax						
HB 5240	Reflects an increase in the transfer of revenue to the Transportation Fund.	7/1/00	-	-	(6.0)	(6.0)
Miscellaneous Taxes						
SB 137	Phases-out the gift tax over the next four years.	1/1/01	-	-	(3.7)	(3.7)
License, Permits, and Fees						
HB 5245	Reduce and consolidate liquor control licenses.	7/1/00	-	-	(1.8)	(1.8)
Miscellaneous Revenue						
HB 5217	Revenue changes as a result of the Governor's appropriation changes.	7/1/00	-	-	(8.7)	(8.7)
Federal Grants						
HB 5217	Revenue changes as a result of the Governor's appropriation changes.	7/1/00	-	-	(12.0)	(22.9)
Transfer From Tobacco Settlement Fund						
HB 5217	Reduces the amount transferred from the Settlement Fund.	7/1/00			(11.1)	(11.1)

<u>Bill</u>	<u>Proposal</u>	Effective <u>Date</u>	<u>FY 00</u>		<u>FY 01</u>	
			OFA	Governor	OFA	Governor
			(\$ Millions)		(\$ Millions)	

Transfer to Other Funds

HB 5217	Decrease in the transfer to Mashantucket & Mohegan Fund as a result of municipal payments owed to the state from the General Assistance Program.	7/1/00	-	-	7.6	7.6
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Total - Governor's Proposed GF Revenue Changes	(17.5)	(17.5)	(190.7)	(215.2)
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Transportation Fund Revenue Changes

HB 5240	The gasoline tax is reduced from 32-cents to 25-cents per gallon, effective April 1, 2000.	4/1/00	(22.7)	(25.4)	(94.2)	(99.6)
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HB 5240	Transfer all of the sales tax revenue collected by DMV from the General Fund to the Transportation Fund.	7/1/00			35.2	35.2
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HB 5240	Increases the transfer of taxes collected on the gross earnings from the sale of petroleum products from the General Fund to the Transportation Fund.	7/1/00			6.0	6.0
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Transportation Fund- Total	(22.7)	(25.4)	(53.0)	(58.4)
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Out-Year Revenue Projections
Including Governor's Proposed Revenue Changes
As of March 3, 2000
(in thousands)

	OFA FY 00 Estimate	OFA FY 01 Estimate	OFA FY 02 Estimate	OFA FY 03 Estimate	OFA FY 04 Estimate
Taxes					
Personal Income	\$ 4,105,000	\$ 4,249,600	\$ 4,457,600	\$ 4,674,400	\$ 4,897,000
Sales and Use	3,053,000	3,149,300	3,296,900	3,434,800	3,597,100
Corporations	550,000	497,400	490,300	519,600	543,100
Inheritance and Estate	230,000	247,900	255,500	261,500	236,300
Hospital Gross Receipts	64,000	0	0	0	0
Public Service Corporations	170,300	173,000	174,700	176,400	178,200
Insurance Companies	199,200	198,400	205,100	212,000	219,100
Cigarettes	121,900	118,900	115,900	113,000	110,200
Oil Companies	30,000	24,600	24,300	35,600	11,900
Real Estate Conveyance	110,000	112,200	110,000	110,000	110,000
Alcoholic Beverages	40,000	40,000	40,000	40,000	40,000
Miscellaneous	42,000	39,800	37,600	28,300	18,500
Admissions, Dues and Cabaret	25,000	25,500	26,000	26,500	27,000
Total Taxes	\$ 8,740,400	\$ 8,876,600	\$ 9,233,900	\$ 9,632,100	\$ 9,988,400
Refunds of Taxes	\$ (724,400)	\$ (759,800)	\$ (817,000)	\$ (830,000)	\$ (842,000)
Net General Fund Taxes	\$ 8,016,000	\$ 8,116,800	\$ 8,416,900	\$ 8,802,100	\$ 9,146,400
Other Revenue					
Transfer Special Revenue	\$ 258,000	\$ 262,200	\$ 264,800	\$ 267,600	\$ 270,300
Indian Gaming Payments	320,000	328,000	356,000	366,000	375,000
Licenses, Permits and Fees	125,000	120,200	123,200	121,200	124,200
Sales of Commodities and Services	32,000	32,000	32,000	32,000	32,000
Rentals, Fines and Escheats	40,000	40,000	40,000	40,000	40,000
Investment Income	65,000	68,000	70,000	69,000	68,000
Miscellaneous	128,000	131,300	130,000	127,000	131,000
Total Other Revenue	\$ 968,000	\$ 981,700	\$ 1,016,000	\$ 1,022,800	\$ 1,040,500
Other Sources					
Federal Grants	\$ 2,022,500	\$ 2,063,000	\$ 2,154,000	\$ 2,216,000	\$ 2,281,000
Transfer from Tobacco Settlement Fund	78,000	139,200	133,400	134,700	117,800
To Other Funds	(180,000)	(82,400)	(133,000)	(134,500)	(135,000)
Total Other Sources	\$ 1,920,500	\$ 2,119,800	\$ 2,154,400	\$ 2,216,200	\$ 2,263,800
Total Revenue	\$ 10,904,500	\$ 11,218,300	\$ 11,587,300	\$ 12,041,100	\$ 12,450,700

**Comparison Between OFA Current Services Projections and
Governor's Budget Revisions for the General Fund for FY 01 – 04
(in millions)**

	FY 01	FY 02	FY 03	FY 04 [2]
OFA Current Services				
Revenues	\$ 11,409.0	\$ 11,824.9	\$ 12,289.8	\$ 12,733.7
Expenditures	11,240.6	11,778.4	12,263.9	12,846.3
Potential Surplus / (Gap)	\$ 168.4	\$ 46.5	\$ 25.9	\$ (112.6)

**OFA Estimate of
Governor's Budget Revisions**

Revenues	\$ 11,218.3	\$ 11,587.3	\$ 12,041.1	\$ 12,450.7
Expenditures	11,238.0	11,840.5	12,288.5	12,905.1
Potential Gap	\$ (19.7)	\$ (253.2)	\$ (247.4)	\$ (454.4)

**Increase in Potential Gap based on
Governor's Budget Revisions Over
OFA Current Services**

Increase in Potential Gap	\$ (188.1)	\$ (299.7)	\$ (273.3)	\$ (341.8)
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[1] It should be noted that the FY 01 OFA current services figures in this table are based on our preliminary analysis of expenditure needs (completed on 02/08/00) and updated revenue projections which will be further reviewed during the 2000 Session along with savings options. The FY 02-04 figures are based on using FY 01 as the baseline for revenue and expenditure projections and assume modest growth in the state and national economy. These estimates show the direction of revenues and spending if current laws and policies remain unchanged. They are not forecasts of what will actually occur, since policymakers will likely seek to alter current priorities.

[2] OFA projections include the impact of the conversion to Generally Accepted Accounting Principles (GAAP) in FY 04, which could add approximately \$30 million to the budget on a net expenditure basis in that year and annualize to approximately \$65 million including amortization of the GAAP deficit in each of the following fifteen fiscal years. The Governor's recommendations do not include this adjustment.

**Transportation Fund Cumulative Surplus Projections for FY 00 – FY 04
Including Governor’s Proposed Changes
(in millions)**

	FY 00	FY 01	FY 02	FY 03	FY 04
Revenues (including proposed 7 cent Gas Tax reduction and other changes)	879.1	851.1	860.1	869.0	878.1
Expenditures [1]	801.7	810.9	833.5	863.1	887.8
Annual Operating Surplus / (Deficit)	77.4	40.2	26.6	5.9	(9.7)
Fund Balance From FY 99	21.5				
Proposed Appropriation from FY 00 Surplus for Tweed-New Haven Airport	(1.8)				
Proposed Appropriation to Debt Service Account [3]	(60.0)				
Revised Cumulative Surplus [4]	37.1	77.3	103.9	109.8	100.1

[1] The expenditure projections include the governor's proposed expenditure changes for the Department of Transportation and the Department of Motor Vehicles. They also include savings due to the transfer of \$60 million to the debt service account in FY 00 (see Footnote 3 below.) The projections assume that these funds will be used to cash defease STO debt in 12/00.

[2] Section 13b-68, CGS (PA 97-309), requires the Treasurer to use any ending balance of the Transportation Fund in excess of \$20 million to reduce outstanding indebtedness or debt service requirements. This may be done by : (1) Redeeming outstanding STO bonds before their maturity; (2) Buying STO bonds on the open market; (3) Transferring funds to an escrow account for future scheduled payments; (4) Paying debt service for the next fiscal year, beginning with FY 99; and (5) Any combination of these methods. FY 00 through FY 04 projections reflect a cash defeasance of \$81.8 million completed by the Office of the State Treasurer on 12/22/99, which used the combined surplus from FY 98 and FY 99 and left a balance of \$1.5 million.

[3] Section 38 of HB 5217 (the governor’s proposed revisions to the budget) appropriates \$60 million from the Transportation Fund cumulative surplus to the debt service account in FY 00 and permits the treasurer to use the funds for (1) the defeasance of outstanding Special Tax Obligation (STO) indebtedness or (2) payments in lieu of the issuance of STO bonds.

[4] The governor proposes (HB 5240) to eliminate the \$20 million minimum balance and removes the requirement that the treasurer use Transportation Fund surplus to reduce outstanding indebtedness or for debt service.

**Transportation Fund Revenue and Expenditure Projections
For FY 00 – FY 04 Including Governor's Proposed Changes
(in millions)**

	FY 00	FY 01	FY 02	FY 03	FY 04
PROJECTED REVENUES					
Motor Fuels Tax, MV Receipts, and Licenses, Permits, and Fees (including 7 cent Gas Tax reduction effective 4/1/00)	785.4	721.4	728.6	735.7	742.9
Sales Tax - DMV Payments (including governor's change)	10.0	55.2	57.0	58.9	60.8
Federal Transportation Administration (FTA)	3.0	3.0	3.0	3.0	3.0
Interest Income	36.0	37.0	37.0	37.0	37.0
Petroleum Companies Gross Earnings (including governor's change)	36.0	42.0	42.0	42.0	42.0
Release from Debt Service Reserve Account [1]	16.2	0.0	0.0	0.0	0.0
Transfer to Conservation Fund	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
Subtotal: Projected Revenues	884.6	856.6	865.6	874.6	883.7
Less: Refunds of Taxes	(5.5)	(5.5)	(5.5)	(5.6)	(5.6)
TOTAL NET REVENUES	879.1	851.1	860.1	869.0	878.1
PROJECTED EXPENSES					
Agency Operating Expenses					
DOT Budgeted Expenses	324.7	295.1	306.4	316.5	328.2
Non-Bonded Highway & Bridge Projects	15.6	16.0	16.4	16.7	17.1
Airport Payment in Lieu of Taxes (PA 93-433)	0.3	0.0	0.0	0.0	0.0
Subtotal: DOT Operating Expenses	340.6	311.1	322.8	333.2	345.3
DPS Highway Motor Patrol (Prior Year Carry Forward)	0.0	0.0	0.0	0.0	0.0
DMV Budgeted Expenses	49.9	50.7	54.3	56.4	58.6
Fringe Benefits	56.5	60.7	64.6	68.8	73.3
Reserve for Salary Adjustment	0.4	0.4	0.4	0.4	0.4
Other Budgeted Expenses	6.5	7.4	7.6	7.7	7.9
Subtotal: Operating Expenses (including governor's changes)	453.9	430.3	449.7	466.5	485.5
Debt Service Expenditures					
STO Debt Service	351.3	377.6	390.6	407.5	428.6
GO Debt Service	31.4	29.2	21.0	17.3	13.7
Total Debt Service	382.7	406.8	411.6	424.8	442.3
Less: Reduction in Debt Service per CGS Sec. 13b-68 [1]	(2.6)	(4.6)	(4.5)	(4.9)	(16.6)
Less: Reduction in Debt Service using \$60 million [2]	0.0	(1.6)	(3.3)	(3.3)	(3.4)
Subtotal: Net Debt Service Expenditures	380.1	400.6	403.8	416.6	422.3
Total: Gross Expenditures	834.0	830.9	853.5	883.1	907.8
Less: Estimated Lapse	(32.3)	(20.0)	(20.0)	(20.0)	(20.0)
TOTAL NET EXPENDITURES	801.7	810.9	833.5	863.1	887.8
Annual Operating Surplus/(Deficit)	77.4	40.2	26.6	5.9	(9.7)
Proposed Appropriation from FY 00 Surplus for Tweed-New Haven Airport	(1.8)				
Proposed Appropriation from FY 00 Surplus for Debt Defeasance or Debt Avoidance [2]	(60.0)				
Revised Annual Operating Surplus/(Deficit)	15.6	40.2	26.6	5.9	(9.7)
Debt Service Coverage Ratio [3]	2.5	2.3	2.3	2.2	2.2

[1] Section 13b-68, CGS, (PA 97-309) requires the Treasurer to use any ending balance of the Transportation Fund in excess of \$20 million to reduce outstanding indebtedness or debt service requirements. The FY 99 debt service figure reflects the Treasurer's use of the FY 97 excess of \$9.7 million to pay debt service. FY 00 through FY 04 projections reflect a cash defeasance of \$81.8 million completed by the Office of the State Treasurer on 12/22/99, which used the combined surplus from FY 98 and FY 99. The results of the cash defeasance are: (1) a revenue gain of \$16.2 million in FY 00 resulting from a release from the Debt Service Reserve Fund; and (2) a reduction in debt service costs from FY 00 through FY 04.

[2] HB 5240 eliminates the \$20 million minimum balance and removes the requirement that the treasurer use Special Transportation Fund surplus to reduce outstanding indebtedness or debt service. Section 38 of HB 5217 provides \$60 million in nonlapsing funds beginning in FY 00 and permits the treasurer to use the funds for (1) the defeasance of outstanding Special Tax Obligation (STO) indebtedness or (2) payments in lieu of the issuance of STO bonds. The figures presented here assume that the funds will be used to cash defease STO debt in 12/00.

[3] The state is required by the bond indenture to provide revenues in each fiscal year equal to two (2) times the debt service on STO bonds. Our projections indicate that the amount by which the state would exceed this requirement declines from \$186.6 million in FY 00 to \$69.8 million in FY 04.